

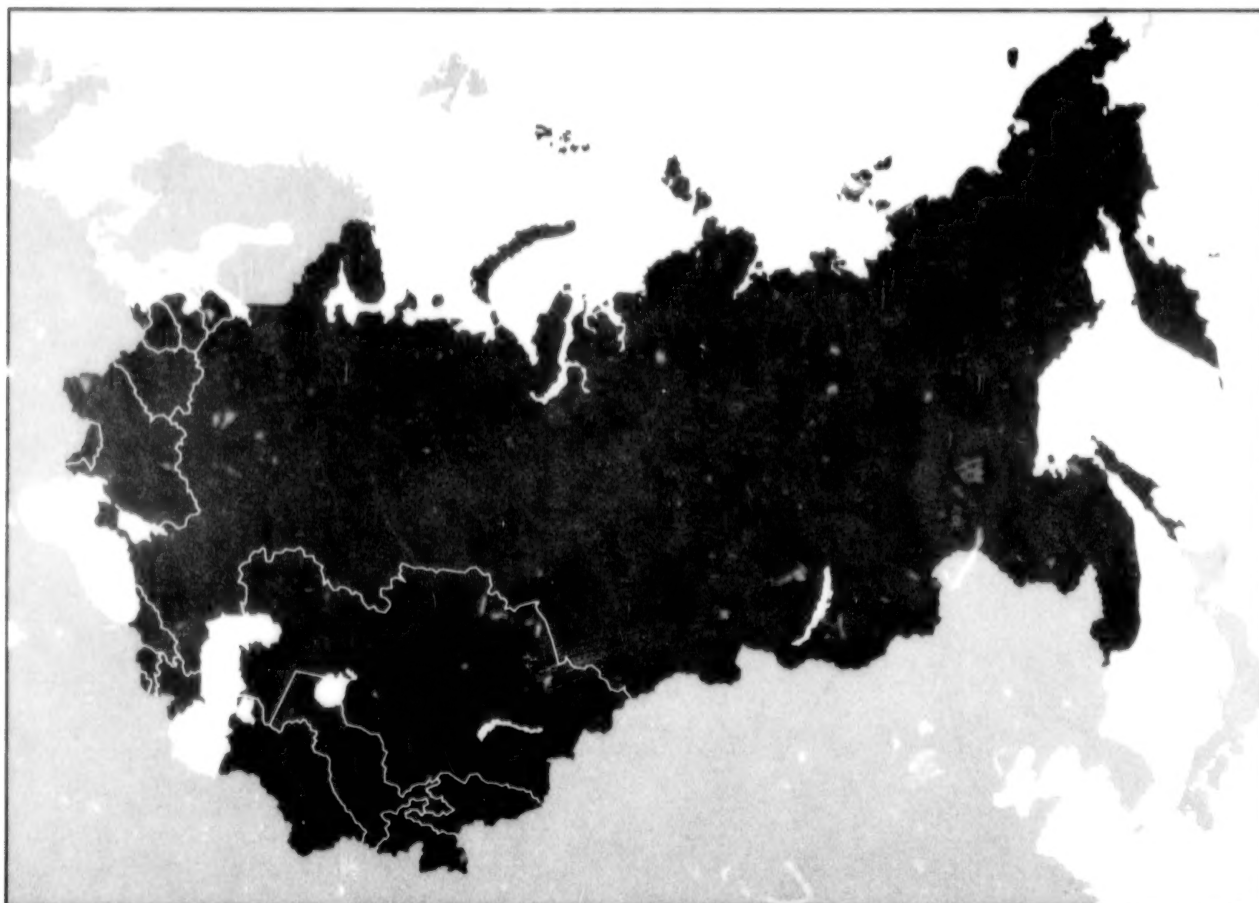


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FBIS-USR-94-084

4 August 1994

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# ***CENTRAL EURASIA***

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# FBIS Report: Central Eurasia

FBIS-USR-94-084

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4 August 1994

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### **Committee To Explore Creation of CIS Monetary System**

944Q0496A Moscow KOMMERSANT-DAILY  
in Russian 15 Jul 94 p 3

[Article by Konstantin Smirnov: "Economic Union Starts Moving Along EEC Route"]

[Text] There are two main tasks involved in the construction of the Economic Union of the CIS countries at this time: the creation of a supranational administrative body and the establishment of an effective settlement system for the Commonwealth countries. These tasks will not be completed within the near future, but a decision was made at yesterday's meeting of the CIS Coordinating and Consulting Committee (KKK) to return to the idea of the Interstate Economic Committee (MEK) and appoint an international team of experts to plan a settlement system for the CIS countries.

The short history of the Commonwealth of Independent States already has some predictable patterns of its own: Decisions requiring no commitments are approved with relative ease, but as soon as there is any mention of real limits on national sovereignty (or at least the need to give up part of the state budget), the pattern of action in CIS agencies is one step forward and two steps back. The history of the long-suffering Interstate Economic Committee is the most indicative example of this. The initial response to Nursultan Nazarbayev's idea of establishing a standing body of the Economic Union in Moscow, with specific supranational functions, was more than favorable in the majority of CIS capitals, but during the Moscow summit in April 1994 the as yet unborn MEK was turned into nothing more than the KKK Commission of the Economic Union (KES), with no directive or supervisory functions whatsoever. A statute on the KES was prepared for the last meeting of the KKK in Moscow, but by then everything had reverted to the old pattern.

First Alma-Ata, which had secured approval of the decision to establish supranational institutions of the Central Asian Economic Union at the last meeting of the three presidents, revived the idea of the MEK. Then President Yeltsin asked Vice-Premier Aleksandr Shokhin, the chairman of the KKK, to make all of the arrangements for the replacement of the stillborn KES with the MEK by the time of the September summit in Sochi. Besides this, after Leonid Kuchma won the presidential election, his support for the MEK could also be expected.

The CIS settlement system has not taken shape yet either. In April this year, the heads of state approved a plan for a payment union, proposing the eventual creation of a monetary union of the members of the Economic Union. The idea of the payment union was supported by commercial banks in Russia and the other CIS countries. At yesterday's meeting of the KKK, the Russian Ministry of Cooperation with the CIS Countries and the Association of Russian Banks gained acceptance of the idea of appointing an international team of experts to plan a settlement system for the CIS countries. President Sergey Yegorov of the association and Deputy Minister of Cooperation with the CIS

Countries German Kuznetsov became the co-chairmen of the international team. According to German Kuznetsov, proposals on the creation of the payment union will be prepared for the KKK by 1 September. The first step in the normalization of settlements between CIS countries was the approval of the standard draft agreement on measures to secure the mutual convertibility of national currencies on a bilateral basis at the last meeting of the KKK.

[Boxed item]

### **Proposed Status of Interstate Economic Committee of CIS Economic Union**

The committee will be a standing executive and coordinating body of the Economic Union; it will be accountable to the Council of Heads of State and the Council of Heads of Government of the CIS.

The decisions the committee makes within the confines of its jurisdiction will be binding for the states of the union whose representatives voted in favor of them.

[Boxed item]

### **Standard Draft of Bilateral Agreements on Measures To Secure Mutual Convertibility of National Currencies**

The mutual acknowledgement of the national monetary systems in operation within the territory of the republics party to the agreements;

The gradual institution of the mutual convertibility of national currencies—the stabilization of national currency exchange rates in relation to one another and to hard currency during the first stage, and complete mutual convertibility during subsequent stages;

The establishment of liquid currency markets in the republics party to the agreements;

The regular (at least weekly) adjustment of the official exchange rates of national currencies in relation to one another and to the dollar on the basis of supply and demand in domestic currency markets by the central (or national) banks of the republics.

### **Academics Present Report on CIS Integration**

944Q0496B Moscow KOMMERSANT-DAILY  
in Russian 15 Jul 94 p 3

[Article by Marat Salimov: "Academics Want To Integrate"]

[Text] At yesterday's press conference, academicians Oleg Bogomolov and Stepan Sitaryan presented a report on "Problems of Reintegration and the Establishment of the Economic Union of the CIS Countries." The report suggested that processes of disintegration are still growing in intensity within the territory of the former USSR, and that Russia has to make a much more vigorous attempt to restore trade and economic ties between the Commonwealth countries in this context.

The report was prepared jointly by the "Reform" International Fund and the academy's Foreign Economic Research Institute and International Economic and Political

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Research Institute. The authors advocate quicker reintegration in the post-Soviet zone. Their arguments are based on the premise that the disruption of cooperative relationships and trade contacts lie at the basis of the exacerbation of the economic crisis and the recession in the CIS countries. The following statistics were cited as corroboration. Whereas commodity exchange between the union republics in 1988 constituted (in percentage of the GNP) 13 for Russia, 27 and 29 for Ukraine and Kazakhstan respectively, and from 34 to 50 for the other republics, the indicators are now less than half as high as they were, and the reduction of reciprocal deliveries is exacerbating the recession in the CIS countries. The authors of the report referred once again to statistics which were popular at the time of the "rebirth of the Russian state" and which indicate that the complete severance of economic ties between the former republics of the USSR would lead to a situation in which Russia could secure the production of 65 percent of the final product independently, with respective figures of 31 percent for Azerbaijan, 27 percent for Kazakhstan, and 15 percent for Ukraine.

The academicians' conclusions are clearly delayed, because data obtained by KOMMERSANT-DAILY's experts suggest that the low point of disintegration has already been reached in the CIS countries. Specific moves in the sphere of economic policy provide evidence of this. The countries are already working on the creation of supranational administrative bodies for the economic and payment union, not to mention the persistent efforts of Belorussia and Tajikistan to become part of the ruble zone. The academicians are correct in their assumption that the speed of reintegration and the correspondence of this process to Russia's national interests will depend primarily on Russia's own position on this matter, especially now that there are new political leaders in Kiev and Minsk.

#### **Environment Pact With Belarus Hailed**

MM2707151194 Moscow ROSSIYSKIYE VESTI  
in Russian 26 Jul 94 p 3

[Interview with Veniamin Popov, head of the Russian delegation at talks with the Republic of Belarus and Russian Federation Foreign Ministry ambassador at large, by Vyacheslav Yelagin; place, date not given: "Contacts: Nature Is the Third Partner"]

[Text]

[Yelagin] Veniamin Viktorovich, the results of the elections in Belorussia [Belarus] have made an impression on us all, diplomats and journalists included. How does the Russian Federation Foreign Ministry today assess the prospects for Russian-Belorussian [Belarusian] relations?

[Popov] We respect the choice made by the fraternal Belorussian people. That is their legitimate right. I think that the creative and constructive work to further strengthen bilateral ties between Moscow and Minsk will be continued under the new Belorussian leadership. There is simply no alternative to this normal and natural process of rapprochement between our countries. Take, for instance, cooperation in the environmental sphere, on which an agreement was signed recently.

[Yelagin] So far as I am aware, an Intergovernmental Agreement on Cooperation in the Sphere of Protection of the Environment Between Russian and Belorussia was signed recently in Smolensk. This seemingly unremarkable event, as it were, pales against the background of the recent presidential elections and the upcoming unification of the two countries' monetary systems. However, I have heard, including in Foreign Ministry circles, that specialists make quite a high assessment of this agreement.

[Popov] Yes, what happened 5 July in Smolensk was indeed an exceptional event which unfortunately did not make it into the "major papers." In my view, it should have been described in rather more detail. A meeting took place there that day between two eminent ecologists, V. Danilov-Danilyan and A. Dorofeyev, whose work is well known throughout the post-Soviet space. The significance of the meeting goes far beyond the bounds of purely scientific interests. The point is that these scientists, who head the Russian Ministry of Protection of the Environment and Natural Resources and the Belorussian Ministry of Natural Resources and the Environment respectively, signed the first-ever intergovernmental agreement on cooperation in the sphere of environmental protection in the history of our countries. Without belittling the importance of the other political, economic, military, and humanitarian accords between Moscow and Minsk (the total number of agreements is inexorably heading toward 100), this agreement is trailblazing, as it were, not only in bilateral relations but also in the Commonwealth as a whole.

[Yelagin] What is the essence of the agreement and how will it benefit Russia and Belorussia?

[Popov] The fight against environmental pollution is a fight not only for clean air, water, and land but also for people's health. People simply will not be able to survive unless they preserve the habitat of animals and the world's flora. And this evil that threatens mankind's existence can be vanquished only through joint actions. Having realized this need, the two neighboring republics will pool their efforts to keep the atmosphere clean, to protect forests from fire, insect pests, and disease, and to protect the fields from pollution by pesticides and mineral fertilizers. Cooperation in the rational use of mineral resources and surface water and groundwater, in restoring soil fertility, and in combating noise due to technology will also become closer. The sides agreed to coordinate scientific research in this sphere, to improve the economic mechanism for the use of nature and ecological monitoring of the state of the environment, and to elaborate and implement together scientific and technical and integrated programs for the rational and efficient use of natural resources. Specific measures to implement all the plans have been thought out. In short, the agreement will benefit both Russians and Belorussians. Moreover, problems of the joint protection of rivers flowing through the territory of the fraternal states were also discussed.

[Yelagin] Why was Smolensk chosen as the venue for the meeting? This was obviously no accident.

[Popov] Yes, you're right. This ancient Russian city has a special geographical and political position. It represents a

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"linking thread of the times" for the peoples of Russia, Belorussia, Ukraine, Poland, and Lithuania. Glorious milestones in the history of our homeland are linked with it. There in Smolensk you get a keener sense of the need for unity with other Slav peoples. But that is just one side of the coin.

The other is that over 1,000 large and small rivers, including the Dnieper, which passes through not only Russia, but also Belorussia and Ukraine, have their source in the central highlands. The question of protecting Dnieper water and the entire Dnieper basin is extremely topical. Its solution promises considerable benefits to the population of Russia, Belorussia, and Ukraine. So leading personnel from Vitebsk, Gomel, Mogilev, Pskov, Moscow, Kaluga, Tver, and Bryansk Oblasts went to Smolensk as well as representatives of central Russian and Belorussian agencies. They all showed tremendous interest in constructive collaboration in the sphere of environmental protection. In addition to everything else, the meeting stressed the importance of environmental education and training and the formation of an appropriate awareness and noted that we are all in the same boat, and the sooner we learn to focus our actions on

what unites us rather than divides us, the sooner we will be able to solve the problems confronting our planet.

The environmental meeting in Smolensk was a success to a considerable extent thanks to the great organizational work carried out by the Smolensk Oblast Administration. And the people of Smolensk saw for themselves how important ecology is. The bulk of the work still lies ahead, I think. But the start inspires optimism.

[Yelagin] Were measures to eliminate the aftermath of the accident at the Chernobyl nuclear power station discussed?

[Popov] The common Chernobyl calamity, and both Russian and Belorussian lands suffered as a result of it, brought us still closer together. The same thought was repeatedly expressed at the meeting: Collaboration between Russia and Belorussia in this sensitive sphere must be more intensive, diverse, and purposeful. It is no accident that an appropriate agreement on joint actions to minimize and overcome the consequences of the Chernobyl disaster was signed a few days earlier in Moscow by our states' prime ministers. The Russian Government will allocate 22 billion rubles to Belorussia for this purpose.

### Kostikov Reports on Russian-Baltic Relations

944F0992A Moscow SEGODNYA in Russian 12 Jul 94  
p 10

[Article by Vyacheslav Kostikov, press secretary to the Russian President: "In the Sand Dunes of Baltic Policy"]

[Text] [begin box] Vyacheslav Vasilyevich Kostikov was born in Moscow in 1940 in a worker's family. He worked at a plant and graduated from two journalism schools—one in Moscow and the other in Sheffield (Great Britain), as well as the All-Union Academy of Foreign Trade. Beginning in 1967, he was a commentator for APN [NOVOSTI]. He spent 12 years in Paris, working in the UNESCO secretariat (1972-1978 and 1982-1988). He is the author of several stories and novels, books on public affairs and history, and film scripts.

Since May 1992, he has been press secretary to the President of Russia.

He is married and has a daughter.[end box]

The problem of relations with the Baltic countries is one of the most critical and important problems in European policy today.

Taking this into account, SEGODNYA offers for your attention an article by Vyacheslav Kostikov, a political scientist and press secretary to the President of Russia, reflecting the Kremlin's position on this question. We received this article through the INTERFAX agency.

In some respects, Russia's relations with the Baltic countries resemble the shifting sand dunes of the Baltic coast. At first glance, the view is as static as a picture and pleasing to the eye, like the Baltic canvases of Natalya Nesterova. But when the cold Baltic breeze blows, the dunes start to move, the sand flies in your face, the landscape changes, and diplomats who remembered the completely proper "belle-vue" of a month or two ago have to take up their brushes, not the ones for pleasant scumbling, unfortunately, but painting brushes, ones more suitable for coarsely ground political paints.

Unfortunately, with the irritating changeability of Baltic weather, we often forget that, apart from the variables, rough political statics transferred from century to century are in the nature of politics and are recorded in the rigid boulders of European history. Unlike the dunes, it is substantially harder to remove them from an East European field.

Russia's strategy of relations with the Baltic countries, just as with other countries in the world, by the way, cannot be even a partial derivative of the history of these relations. Yes, these relations have fortunately ceased—or are ceasing for the most part—to be defined by ideology or the patriarchal position of "older brother." However, it would be naive to say that the inertia of false internationalism and false paternalism accumulated over half a century will be suppressed right away both in Russian public opinion and the lexicon of Russian politicians and deputies. Like the force of the Baltic "repulsive spring"—a force which, alas, is not always rational and at times highly explosive, which grew out of the wrongs and humiliations of the totalitarian system based on the poison of Stalin and Beria.

Natural factors and those accepted in world politics—geopolitics, the sum of national interests, considerations of security and economic advantage, and finally (which is more and more important), the cement of the most fruitful cultural ties are becoming the regulators of our relations to an ever greater extent.

We are neighboring states, and this cannot be avoided, even if someone would like to because of a grievance. The foundations for a new life—genuine democracy and a multifaceted market economy—are being laid today both in Russia and the Baltic countries. And our countries should be attentive and as sensitive as possible to each other's interests during this extraordinarily important period.

Isn't it really obvious that we will be able to bring about property and stable development more rapidly by helping each other and not interfering? The sooner our partners understand this truth, the easier it will be to realize the policy of building good-neighbor relations and relations of equal rights and mutual cooperation, which has been declared by Russia.

The Russian intelligentsia, which has suffered from totalitarianism no less than the Baltic intelligentsia and has really done a great deal to ensure that the common breath of freedom is not fouled on the streets of Vilnius, Tallinn, and Riga by tank fumes, notes with some bitterness that the movement to meet each other halfway in shaping civilized relationships is not proceeding at the same pace in Russia and the Baltics. It would be offensive and a loss for everyone if the warmth and intellectual solidarity accumulated under the worst "climatic conditions" were met with a nationalistic draft. After all, it is no secret that the demands being presented to Russia today by our Baltic neighbors are nothing more than "upholding national interests," but our wishes—which are completely justified and understood—are termed a "manifestation of imperial ambitions." We were able to talk with each other during the period when the USSR was partitioned not by borders, but the barbed wire of numerous "gulags." So why today, when the dungeons have been destroyed, do the Baltics require intermediaries and "third parties" for a discussion with Moscow?

The symbolism of meetings and visits with intermediaries are useful and pleasant. The motorcades of black limousines and the gratuitous smiles in the photographs are sometimes pleasing to the eye. But the stones in the problems remain and the clever peasants call upon old and perhaps boring neighbors, not holiday guests, to gather them. The favorite sweets are good for a glass display case. More prosaic things are required for deep plowing of the political virgin soil. And not pinches of dollars, but railcars of metal, tank cars of oil, and electricity and gas for the plants... In a word, excuse me, please—the boring Russian realism.

Especially as it is essentially obvious to everyone, regardless of the formula in accordance with which a discussion is conducted: realization of the natural concepts of Russo-Baltic cooperation will undoubtedly depend on provision for the normal political, economic and social rights of the ethnic Russians who live in the region. Concern for them is one of the fundamental factors in Russia's foreign policy.

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Proceeding from this political philosophy, a comprehensive long-term program of measures to protect the ethnic Russians who live in the territory of the former USSR is already being shaped. It will embrace political, economic, and cultural aspects.

But for the Russian whom fate has suddenly willed to be a foreigner, the simplest everyday requirements are more important than any comprehensive approach: so that he is accepted for employment based on his specialization, not his nationality, so that the children have Russian textbooks and watch Russian television, and so that "First Aid" [an ambulance] does not refuse to help him because he is "a foreigner." The sooner these "small" thorns are removed, the easier it will be for everyone.

At the same time, the thorns should be pulled out not only by the Lithuanians, Latvians, and Estonians, but by the Russians who live on the Russian side of the border. So that a Russian who comes to Russia to see his relatives does not feel "out of place" or like a poor relative. We need to see that human rights are observed both for those fellow countrymen who remain in the Baltics and those who had to leave them.

Love cannot be forced, of course. If you do not like a Russian person, look for a bride in the refined civilization of Finland. But in politics it is more profitable to be a realist. And a special role should be played here by economic interests and imperatives.

We need to develop the potential for interaction in the field of trade, science and technology, investment activity, joint ventures, and other forms of cooperation as soon as possible. Economics and politics are more interrelated than anywhere else, perhaps, in solving the combination of problems in the Baltics and Russia. Consistency of actions seems to be obvious. The economic ties that have been disrupted or weakened need to be restored as soon as possible. I believe that lately the Baltics have gotten rid of certain illusions that were interfering with this process. Singing together in a choir brings neighbors closer together, but it does not bring everyone onto the world stage. Western Europe is pleased to store the compliments and kisses blown from Riga, Tallinn, and Vilnius, but it is in no hurry to open its warehouses for Baltic goods, and it is unlikely that it will be in any hurry. The real market for the Baltic countries lies to the East of its borders.

At the same time, it is apparent that by building its economic relations with the Baltic countries, Russia will be guided by international standards with respect to human rights in Latvia, Estonia, and Lithuania and by measures of influence accepted in world practice. This does not mean embargos or prohibitive measures. But a sober accounting by our Baltic partners of Russia's concerns with respect to humanitarian affairs will enable us to take specific steps to extend economic ties, to meet them halfway in considering the projects and proposals being suggested to the Russian side more and more frequently lately. Money, as well as a stream, finds its own channel to bypass the stony dunes.

For its part, Russia has made many of the gestures needed, it appears, even those given "with difficulty." Let us

remember the acknowledgment of the secret Molotov-Ribbentrop pact. Let us remember the condemnation of this document by the progressive Russian public and politicians. But, it is scarcely reasonable or fruitful to demand that Russia and the current generation of Russians publicly repent for the sins that lie on the soul of the "heroes" of another novel of political horror. It would be absurd to assign responsibility to the peoples of Russia for the crimes from which they suffered no less than the Baltics. We cannot, and indeed, we do not want to identify the new democratic Russia with our common totalitarian predecessor. And of course, it is completely unfair to assign collective guilt for the Soviet regime's actions to the Russians living in the Baltics. The danger of firing up emotions, which are often based on one-sided or opportunistic interpretation of historical facts, leads to hazardous discharges into actual policy. I am referring in this case to "the Kaliningrad nuance," which was woven from illusions but has already produced leaden clouds.

As we know, after the collapse of the Soviet Union, the Russian military presence in the Baltic Sea region (which has been very strong since Peter's time) was cut back drastically: We withdrew all troops from Poland and Lithuania, we are completing the withdrawal from Germany, preparations are under way to withdraw troops from Latvia, and we are awaiting a decision on Estonia. In this connection, Kaliningrad Oblast has assumed special importance in the categories of geopolitics and Russia's national security. And it is important here to establish the following, on one hand, and to accept it, on the other hand, without any "subjunctive mood": Kaliningrad Oblast is an integral part of Russia, which is separated from the Russian "mainland" by the territories of other states. For this reason, it is natural that Russian troops are there and will remain there. This is Russia's sovereign right, which it is capable of defending.

At the same time, this should be understood in coordination with Russia's overall strategy. Russia is in a state of post-totalitarian demilitarization. The army is being reduced. In the near future—up to 1.9 million men. So the military presence in Kaliningrad Oblast will be determined exclusively by the needs for Russia's defense and its commitments within the framework of the Treaty on Conventional Armed Forces in Europe. Incidentally, the treaty provides for the opportunity to put a larger number of troops and weapons there than there are now. The group of Russian troops in the oblast is for the purposes of defense in conformity with the Russian Federation's military doctrine. Despite the statements made by certain foreign politicians, who evidently still cannot do without some foreign villain for domestic consumption, there is no military threat to any state coming from the oblast's territory.

It would be naive to expect the complete demilitarization of Kaliningrad Oblast. But Russia is reducing the number of our troops in the oblast and it will continue to do so within the strategically determined parameters. Including dependence on the political situation in Europe.

Such an approach does not rule out the advisability of granting Kaliningrad Oblast broader rights within the framework of regional Baltic cooperation, by the way.



As part of the Russian Federation, this oblast is already taking part in activity by organs of the Council of Baltic Sea States and in subregional cooperation in the Baltic. With the formation of the "Yantar" Free Economic Zone and in accordance with the Russian President's Decree of 7 December 1993, the oblast's rights in the sphere of foreign economic activity have been broadened substantially. It is very likely that none of the Russian oblasts have such rights today.

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With a sober approach, there are good opportunities and prospects for normalization and improvement in relations with all the Baltic countries.

Let us take Estonia. We have a very powerful common vector—the movement toward democracy and market reforms.

Tactical maneuvers to develop a monoethnic state are introducing tension in our relations. I say tactical, since this idea is a dead end at the strategic level. It is regrettable that certain leaders are seeking a solution to domestic problems at the cost of the Russian-speaking population's interests.

A substantial part of this population is in a bad situation. The road is often closed in any field to a Russian person there, either by the law, by how it is being applied, or because of administrative faultfinding—essentially arbitrarily. Study of the Estonian language requiring payment and the passing of examinations in it is frankly humiliating. One senses a certain "smerdyakovshchina" syndrome [probably refers to Dostoyevskiy character]: Once oppressed, one compensates for his complexes by oppressing others. Dostoyevskiy's refinements scarcely have to be carried over into civilized politics. This is the sphere of suspicion.

It is a pity that the "suspicion" has been expressed so loudly in Estonian politics that the attention of the international community has been drawn to this discord. The CSCE and European public opinion have already realized that they cannot decline all responsibility for solution of this problem.

There is a basis for a just solution to this problem, which is artificially contrived in many respects. It includes the recommendations of international experts and the Russian-Estonian Treaty on the Principles for Relations Between the States of 12 January 1991.

The withdrawal of troops from Estonian territory is another question in our relations.

It appears that we are close to a resolution, to the point where the dates for withdrawal are clearly set. This depends directly on the readiness of our Estonian partners to define in a civilized manner the status of Russian military pensioners who remain in Estonia. Here we need a humane approach, if you will, taking psychological and everyday factors into account.

Unfortunately, the impression is sometimes created that our neighbors, in resolving problems in one area, pile up barricades of sand there and then as if they are frightened of their

own wisdom. I am referring to the historically baseless and politically naive territorial claims on lands that have been Russian from time immemorial.

The law adopted on the border by the Estonian State Assembly identified a line in it that is not being examined. This is a certain "black square against a black background." But the finds of Malevich are good in a painting, not in politics. The Tartu peace agreement of 1920 was an incidental and short-lived gust of wind, and as we know, it lost its legality a long time ago.

This decision, which is ridiculous in itself from a historical point of view, runs counter to Estonia's commitments under the Helsinki accord and the Russian-Estonian Treaty on the Principles for Relations Between the States of 12 January 1991. However, the ease with which the Estonian State Assembly actually provoked a political scandal only confirms the need for and timeliness of B.N. Yeltsin's edict on demarcation of the Russian border in the Estonian section. The "i's" have been dotted. And this, we hope, will help to cool down the somewhat overheated deputies. For the sake of fairness, it should be said that such overheating also exists among Russian parliamentarians. It is good that there are sober politicians who can "call to the blackboard" and rectify the "poor" in conduct.

It is time, finally, for the deputies to rid themselves of illusions and emotions and to think and act in terms of the end of the 20th century, not its beginning.

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In relations with Lithuania (in particular, by signing the package of agreements on military matters), we have given an example of how to resolve very complex problems. There was hope in Moscow that another topic—provision for the rights of Russians in Latvia—could be approached just as constructively. There was hope that the standard for a civilized society could be identified here as well.

However, the adoption of the law on citizenship by the Latvian Saeima on 22 June has caused a great deal of concern. This document essentially legalizes unlawful action: They want to deprive the overwhelming majority of Russians of the right to be citizens of that country, where many of them were born and have worked and lived for many years.

The question automatically arises: Shouldn't the way Russians are being treated in Estonia and Latvia today remind the Latvians and Estonians of the fate prepared for them during the years of German colonization, especially during World War II?

The Nazi documents on this published recently in German, loathsome because of their racism and inhumane content, are frank. The fate intended for the Baltics was avoided, fortunately, and let us point out that this was not without participation by representatives of the very "non-natives" they are attempting to eliminate as a "nonstandard" element.

Incidentally, many influential Latvian politicians realize that the disgraceful "citizenship quotas" not only are



making relations with Russia difficult, but harming Latvia's prestige in the international arena.

Meanwhile, there are good examples of a sound state approach to this matter. I am referring to Lithuania. Although there are also persons there who have no aversion to questionable methods: Just take the organization of political processes against Russian citizens or refusal to allow our diplomats to see individuals in confinement, which is what happened in the case of Russian citizen G. Taurinskas.

Frankly, in many of the decisions dealing with Russians and Russia that were adopted in the Baltic countries, the disdain that is not typical of the local character is surprising. The specific objective has been to refute the well-known story about the "passionate Estonian fellows."

So is it worth it, ladies and gentlemen, to get each other excited artificially? We have a common history and a common geography, in many respects a common culture (I am not referring to the folklore aspects), and if you will, a common demography. But, let us not unharness the carts loaded with stones. Let us cobble a common European road with the stones. God willing, it may turn into a proper highway in time.

#### **Yuriy Petrov Ponders Post-USSR 'Reintegration' Schemes**

944Q0494A Moscow NEZAVISIMAYA GAZETA  
in Russian 12 Jul 94 p 3

[Article by Yuriy Petrov, chairman of the Realists Club: "The Reintegration of the Post-Soviet Domain: a Myth or a Real Prospect?: On the Plan for a Eurasian Union"]

[Text] Kazakhstani President Nursultan Nazarbayev's proposal on the establishment of a Eurasian Union (YeAS [EAU]) has become the subject of widespread discussion not only among politicians, but also among public movements and organizations. Even though this initiative has not yet been discussed at meetings of the Realists Club and this is why there is no official position, without claiming its comprehensive elucidation, I would like to share some observations.

In searching for a way out of the crisis which has engulfed almost all the CIS countries, many politicians, scholars and even ordinary people are turning more and more often to the idea of the reconstitution of the so-called "post-Soviet domain." Among some people, this occurs subconsciously and is manifested as nostalgia for the good old times, when all lived even though modestly, but as one large family. Others already have ready a substantial list of figures and scientific calculations which testify in favor of the reintegration of the former Soviet Union's constituent parts on one basis or another. Whereas, just 2-3 years ago in all, the prevailing opinion was that, by going it alone, it would be easier for each sovereign state to overcome difficulties and to stand on its own feet, today, conversely, the idea of reintegration is becoming more and more widespread.

At the same time, the most diverse forms of unification are being proposed: the restoration of the USSR; the reconstitution of the Russian Empire; "the agglomeration of Russian lands"—the joining to Russia of regions heavily populated by Russian and Russian-speaking populations from Crimea to Northern Kazakhstan; ethnic or ethno-regional unions—a Slavic one, a Turkic one, a Finno-Ugric one and so on; regional and inter-regional associations—a Central Asian Union, a Confederation of the Caucasian Peoples, a Black Sea—Baltic Union and others.

The appearance of newer and newer reintegration plans is a reaction to the inadequate effectiveness of the mechanisms and organs operating within the framework of the Commonwealth of Independent States, as well as to the belief taking root more and more deeply in the people's minds that the way to overcome the adversities and disorders which have befallen us is through the unification of our potential. Against this background, many CIS structures look amorphous, while agreements reached within the commonwealth's framework are nothing more than declarations which just remain on the paper.

The plan for the establishment of a Eurasian Union is being perceived precisely as an attempt to impart new impetus to the integration processes within the CIS framework. Although it is not free of shortcomings and much remains vague with respect to its implementation, this plan deserves attention and support as a quite practical and specific step forward.

Hardly anyone doubts that the "near abroad" is the highest priority direction of Russia's foreign policy. After all, Russia's present and future depend, first and foremost, on how our relations with Ukraine, Kazakhstan and the other commonwealth members shape up. Not just because these countries are our closest neighbors and quite a few of our compatriots reside in them. While we already have an established system of agreements and obligations involving the United States, the countries of Western Europe and many other states, which need to be improved, but not changed radically, the relations with our immediate neighbors as independent states are just beginning to take shape. Here, perhaps, more than in other matters, what is required is a sense of responsibility, realism and common sense and a calm and balanced approach is needed. Any mistake, even a small one, in such delicate matters may complicate their solution incredibly and lead to undesirable results. It is appropriate straight off to be on guard against excessive optimism and unjustified euphoria: reintegration is not a panacea which will immediately cure all our ailments. Even if, from the very start, a reliable and well-conceived version of rapprochement is chosen, positive changes will appear far from right away. Practical results will require persistent efforts and years of painstaking work.

The plan for the establishment of a Eurasian Union makes one think: what should be the fate of the CIS? Is it really necessary, as some say, to discard the commonwealth's still "unfinished" integration structures and to undertake the creation of new ones? The systematic and well thought-out improvement of the mechanisms already so numerous

within the CIS framework seems more advisable to me from all standpoints. Otherwise, we will jointly—as has happened repeatedly lately, destroy the old which is not quite effective, without creating anything new which is more useful.

Also very important, in my opinion, is the search for an answer to the question: What does integration mean? The restoration of the former economic relations? And is this necessary, taking into account the changes which have occurred in recent years in the economies of Russia and the other countries and considering the on-going lack of coordination in the implementation of reforms and the varying degree of their rates of progress?

By now it is clear that it is impossible to restore many relations, while many others are not even needed. It is impossible to disregard the fact that Russia and Kyrgyzstan chose the path of radical market transformations, while Ukraine, Belarus and Kazakhstan preferred a moderately radical path for themselves. Evolutionary and conservative methods of reform are typical for Uzbekistan and Turkmenistan. Because of internal political conflicts and interstate conflicts, Armenia, Azerbaijan, Georgia and Tajikistan have no opportunity to implement economic development programs.

In addition, the already begun reorientation of the economies of the republics of the former Soviet Union toward other markets and their inclusion in new integration systems at the international level are becoming a fact.

It is perfectly clear that the reintegration of the post-Soviet domain has been called upon to provide to the participants in this process significant benefits and advantages, of both a material and psychological nature. However, it should also be clear that it requires large expenditures, the precise amount of which is still difficult to determine. And how will the burden of these expenditures be distributed? Undoubtedly, Russia possesses the most significant economic, energy and military potential. It has managed to adapt, to a greater extent than the other countries, to the new conditions, dominating in the key indicators. Its share of the commonwealth's total gross domestic product [GDP] comes to 70 percent. The per capita amount of the VVP [GDP] in Russia is 40 percent higher than the average for the CIS. A large portion of the expenditures associated with reintegration also falls on it.

It is precisely Russia which, according to the Kazakhstani president's plan, should become the "mainstay" of the future union and it is precisely on its territory—in Kazan or Samara—that it is being proposed that the administrative organs and the capital of the new association be located. In this connection, the question arises: are the Russian leaders and Russian society ready to make sacrifices today for the sake of gains which may or may not be realized in the future? And in what, specifically, should the "sacrifices" which must be made be reflected? We can hardly tolerate today a return to "domestic" prices for energy raw materials, industrial equipment and agricultural products. This path has already been traversed and rejected. Then, of what should Russia's special role in the matter of reintegration consist? There is no answer to this question. All this makes

it necessary to draw the conclusion: before deciding on serious unifying measures, it is necessary to weigh and to consider most carefully how much the implementation of the integration plans will cost.

Also of great importance is how, at what pace and in what forms the creation of the new union, federation or other association will be carried out. What seems most sensible is not a one-time, essentially revolutionary act, but rather, a gradual implementation, spread out over time, of the steps which meet the requirements of each specific stage, steps which are obvious and well understandable to the majority of people and undertaken, perhaps, at their initiative and with their assistance. The public opinion of the states participating in the reintegration must not only be taken into consideration, but also involved in the unifying process and in the matter of the establishment and improvement of the rapprochement mechanisms.

Priority here, obviously, must be given to the expansion of the relations between neighbors: enterprises and business circles, to the unification of legislation, to the improvement of informational, cultural and other contacts and to the ensuring of the free movement of people, capital and goods.

The solution of the problem of citizenship is a most important condition for normal vital activities of both the individual state and the interstate formation. Associated with this are not only the purely humanitarian questions, but also the problems of property, investments and normal market relations. It is impossible to lose sight of the humanitarian and civilized aspect as well, first and foremost, the presence, both in Russia itself and throughout the former USSR, of two dominating faiths—Christianity and Islam. In the number of residents who profess Islam, Russia in no way yields to certain Arab and other Muslim countries. This factor can by no means be ignored either in Russia's domestic or foreign policies, especially during the process of its integration with the commonwealth's countries.

It is appropriate, and this was talked about at a recent "round table" on the problems of Eurasianism, which was held by the Russian Unity and Harmony Party, to think also about the doctrinal basis and unique ideology of neo-Eurasianism. This doctrine, which is rooted in the theory of Eurasianism, which was developed in the 1820s, should be seriously and critically studied and "fitted" to present-day conditions.

At the afore-mentioned "round table," along with support for the idea of Eurasian integration, a skeptical attitude toward it was also expressed. At the same time, one of the main arguments comes down to the fact that, in world practice, states which are experiencing an economic upswing and are not, like the CIS countries, in a difficult crisis, are experiencing the craving for unification. This, apparently, is a quite correct observation, however, even here, there are exceptions. For example, many countries of Africa and South America, even though they have enough problems, are undertaking attempts at integration. The emergence of regional economic unions has become one of the main trends of world development in recent years. In the face of the appearance of powerful economic unions in

North America, in Western Europe and in the Asiatic—Pacific Ocean region, many developing countries of Asia, Africa and Latin America, in order to protect their own economic interests, have been compelled to unite as well. As for the argument of the skeptics, who declare: first, let us establish our own, normally functioning state and only then will we think about integration—it does not seem convincing to me. Especially since, in contrast to other interstate unions known to the world, in our instance, we are talking not about the integration of strange countries, originally independent of one another, but rather, about the reintegration and reconstitution of a community, united in the past, which formed naturally not in 70 years, as is sometimes customarily believed, but rather, over the course of many centuries. While the opinion that Russia is “destined” to reunite with the former union republics may appear to be an exaggeration, it will hardly take a long time to prove that Russian cannot isolate itself from its former districts and provinces without risking being brought down to the level of a second-rate power.

It is also worthwhile to think about the fact that the problems of ensuring Russia's strategic security still remain unresolved. The establishment of a Eurasian association would, to a great extent, facilitate their realization and would make it possible to minimize the expenditures for military needs, which impose an unbearable burden on any member of the CIS. This circumstance cannot be forgotten during the tallying of all the pluses and minuses of reintegration.

There are many problems associated with the reunification of the post-Soviet domain. This is why it is only possible to welcome the idea put forward for the establishment of a permanent seminar of scholars and politicians on the questions of Eurasianism, as well as of an International Working Group, the goal of which is the accumulation of all constructive proposals for the preparation of the program, Eurasia: the 21st Century. I am certain that the members of our club will also make whatever contribution they can to the establishment of a qualitatively new level of partnership and cooperation in the Eurasian domain.

**ECONOMIC & SOCIAL AFFAIRS****Fedorov Assesses Financial Developments**

944K1936A Moscow ARGUMENTY I FAKTY  
in Russian No 30, Jul 94 p 3

[Interview with State Duma Deputy Boris Fedorov, former minister of finance of Russia, by N. Zhelnorova, ARGUMENTY I FAKTY correspondent; place and date not given: "I Would Like To Live and Die...a Banker"]

[Text]

[Zhelnorova] Boris Grigoryevich, it has already been seven months since you left the government. Would you go back now?

[Fedorov] If Gerashchenko and Zaveryukha were removed.

**Concerning Possibilities**

[Zhelnorova] If you again became minister of finance, what would be the most important steps you would take?

[Fedorov] I would go through with an iron hand—I would cancel hundreds of decrees on additional expenditures, privileges, and all kinds of benefits that were given to the regions. A sharp attack would be made against the state sector, and hundreds of directors of the largest enterprises would be fired. The involvement of foreign investors would take an entirely different form. For example, the conditions for the privatization of the Red October factory would be printed in the newspapers, the month for the submission of proposals would be given—and it would be ready.

No new edicts and laws are needed to fight crime. But the first actions would be directed, naturally, against corruption.

[Zhelnorova] Let us suppose that documents are brought to you about members of the government—one, then another. What happens then?

[Fedorov] They have to be kicked out. If I were prime minister, only about 10-15 percent of the present government would remain, no more. The rest would simply leave.

[Zhelnorova] They would leave under an article of the criminal code?

[Fedorov] I do not think it is necessary to be vengeful. It is necessary that the Procuracy and the investigators simply work. But what did they work on last year? According to an article in KOMSOMOLSKAYA PRAVDA, they were looking for my home in Washington. But they should have been analyzing all the joint enterprises in the oil and gas sphere and looked into the composition of shareholders.

[Zhelnorova] Well, was the home found?

[Fedorov] It was not there.

[Zhelnorova] Does that mean it is in another place?

[Fedorov] Lord, how sick I am of these suspicions! On the very first day we would cause such a rustle that you in ARGUMENTY I FAKTY would not have enough room to write about all of this. The country has enough different

services. So an end would be put to both corruption and the bribe-takers in the automobile inspection service

[Zhelnorova] This is some kind of futile daydreaming: Our calf will catch a wolf.

[Fedorov] Why not? Counterintelligence, I am confident, will gladly catch 100 militia bribers in the course of two days. It will be recorded on film. Then we will tear off their epaulets on Red Square, and they will be forbidden from serving in state service. I think that after this it would be difficult for others to take bribes. I could also propose another dozen schemes that, in addition, would be legal.

**About the Prime Minister**

[Zhelnorova] Your attitude toward the prime minister is constantly changing. Sometimes you call him names, sometimes you think he is the only candidate for president.

[Fedorov] Speaking frankly, he never believed in the reforms, just as he never believed in democracy. Look, if we have democrats and communists and nationalists in opposition in our country, who here is in the government?

Chernomyrdin has real chances of occupying the post of president. If elections take place in the near future, I doubt that anyone will be able to oppose him. But, at the same time, he will stay in the background until the last moment, and you will never guess the real tactic, because he is an experienced party worker. If I had been in the party for 10 years, maybe I would become that way also. But I was in it for only 10 months.

So in this case this is not sympathy, or antipathy. I am ready to accept reasonable compromises, and I can even be with him in the government, but at the same time I must have the opportunity to do something. When I feel that I have run into a wall and I cannot do anything more, then I step aside. I think this is better than deceiving myself and others.

**About the Presidential Elections**

[Zhelnorova] You assert that it is necessary to elect someone strong and stake everything on him, and you reproach the democrats for crawling away into the corner, each striving to nominate his own candidate. But will one of them suddenly turn out to be a good administrative worker?

[Fedorov] There is no telling who is capable of what! Maybe there are a hundred persons who will be better than Yeltsin, Gaydar, and others. But do they have the chances, or not? All of the rest already has no meaning.

[Zhelnorova] On the question of chances. You said, let the people choose the one who can get the votes. In December, Mr. Zhirinovskiy "got them."

[Fedorov] And they will elect him, if we do not propagandize different ideas. I think that it is necessary to conduct a massive poll in which not 2,000 but 2 million persons will take part. Public voting centers can be set up in the cities of 10 regions to which any person could come and, after showing his passport, could register and choose one candidate out of 10-20 candidates. And then the politicians will learn the real opinion of the people. If it becomes clear that, for example, Yavlinskiy has more real chances than Gaydar



or Shakhray, then the others should help Yavlinskiy. In order to win, it is necessary to go to the people, it is necessary to talk with them.

[Zhelnorova] Someone has already started to do this without waiting until the Moscow competitors burst into action.

[Fedorov] In the meantime, our people are milling around in Moscow, bickering among themselves, and, when they travel, it is abroad (as I travel), and they are wasting time. Although it is time to think about what awaits us in the next five to six years, and will these candidates be able to bring our state at least to the average level? Will it be possible to make a breakthrough to the future with this person? Therefore, every aspirant should publish his program: What he will do in the first 100 days, what he will do in four years.

### Concerning a Strong Hand

[Zhelnorova] What will you do?

[Fedorov] The problem with Chechnya will be resolved in the first three months.

[Zhelnorova] So. There will be no Chechnya itself?

[Fedorov] In a civilized state, if an armed revolt goes on in one of the provinces for two-three years, the federal authorities do not have a right to sit around and pretend that nothing is happening.

[Zhelnorova] What are they supposed to do?

[Fedorov] They are supposed to use constitutional methods to suppress the revolt.

[Zhelnorova] What kind?

[Fedorov] Look at the experience of other countries. If the state is afraid to suppress a revolt in one of its provinces, it is not worth a damn. As soon as a person appears in Moscow who will be able to put an end to this, people will treat him in a very positive way.

[Zhelnorova] But independence, sovereignty? This is a scandal for the whole world.

[Fedorov] Independence? Fine. Change the constitution, take Chechnya out of the Russian Federation system, and make a normal border. This is a question of Russian statehood.

### Concerning Mistakes

[Zhelnorova] We have a rich country, but many poor people. When reforms began, privatization got under way, and everyone expected that, still, everyone would get a little richer, inasmuch as property would shift from the bureaucratic apparatus to the people. Why did this not really happen?

[Fedorov] These trillions of rubles went in the form of credits to the CIS. Supplies of cash, oil, gas, grain. We helped everyone. If you count it up, since 1 January 1992 it has been possible to save \$10 billion at a minimum. If we had put these billions into capital investments in the Russian economy, they would have provided a rather powerful push. Especially before inflation. Now the dollar, of course,

has been sharply devalued on the world market. We missed our chance, when as a result of the collapse of the Union we could have accelerated our own development, curtailed any types of subsidies to sovereign and other states, and collected about 80 percent of world prices from all types of products that we are delivering abroad.

[Zhelnorova] Are you always so smart "after the fact?" Recall the expression: "If I was always as smart as my wife after the fact?"

[Fedorov] There would not have been a putsch in 1991—there would not have been any liberalization of prices. After the putsch, people would have immediately become more courageous somehow. In 1992, all of us, young ministers, considered ourselves to be hired workers. In the sense that there are such great people as Yeltsin, others are important democrats, and we were doing purely technical work. Then, victims appeared among us: One, then another, was thrown out of the government. As a result, almost no one was left from the team. All of this has to be assessed, and we must not yield to defeatist attitudes, but, comprehending our mistakes, move ahead. For Russia, the loss of another three years could become a rollback of about 10 years.

### About Trust

[Zhelnorova] You have the idea of electing aspirants to the presidential chair by means of gathering letters from people and support. This is an absolutely original way. Considering the lack of trust in politicians, I do not think that anyone would collect 100,000 letters in his own support.

[Fedorov] Yes, this looks like a naive game, but if I received 100,000 letters, I would really consider this a display of trust. It is much higher than the trust in congress or the party.

It is necessary to rouse the people. We are all stewing in the same juice, and we are tired of the commotion; nonetheless, it is necessary to learn the opinions of the ordinary people, and to try to explain things to them.

### Yeltsin Announces Development of New Antipoverty Program

944E1089A Moscow TRUD in Russian 1 Jul 94 pp 1, 2

[Interview with Yevgeniy Gontmakher, head of the working staff of the Council for Social Policy under the Russian president, by TRUD political commentator Vitaliy Golovachev; place and date not given: "Put in a Word for the 'New Poor': President of Russia Initiated the Development of a National Program of Living Standard Stabilization"]

[Text] Dear editors! Your newspaper often publishes articles on the Russian population's standard of living. But, behind average figures, real life is sometimes lost and many citizens are encountering incredible difficulties.

Let me tell you about my family. We have three children. We live—or, to be precise, exist—in a one-room apartment and barely make ends meet from paycheck to paycheck. I work in the Almaz design bureau—in the past one of the leading bureaus in the defense sector. Now it had been leased out or



something, but workers gained nothing from it. I am sending you my paycheck stub. You will see in it: Over the month, I earned R99,293.22. Of this amount, R20,000 are withheld: advance—R20,000; interim cash pay—another R20,000; income tax—R10,000; contributions to the pension fund and trade union, other withholdings—in short, the remainder to be paid out is R24,952. The enterprise owes me R0.99 (what precision and what debt!).

Now judge for yourself: Can a family live on this money? My wife works in a kindergarten—her salary is R36,000. No matter how we economize, we can stretch our "average" salary to last two weeks (food only). But one also has to pay rent, city transportation... Even by official data, the sustenance minimum in Moscow has long exceeded R100,000 per person, and there are five of us in the family! There is not enough even for bread, let alone lunch at work...

[signed] The Zherebtsov Family, Moscow

The editors get quite a few such letters. Among radical reformers, however, we hear increasingly often a different opinion: "All this talk about the poor is greatly exaggerated. People are beginning to live better; the number of poor is declining. There are some who simply want to inflame the situation, so they keep stirring up the poverty problem." One of my journalistic colleagues told me straight: "Show me at least one poor—not a vagrant, not a beggar (they always existed), but a normal family that does not have enough money for food. There is more talk about this than of the truly needy..." Well, I will be glad to acquaint him and others, who believe that "there are some who want to inflame the situation," with the Zherebtsov family—one of several million who found themselves impoverished.

Unlike optimistically minded analysts, statesmen, and economists, Boris Yeltsin is very concerned over the problem of popular poverty. The president of Russia recently issued a special instruction to develop a national program for combating poverty. Among those tasked with this job is the recently created Social Policy Council under the Russian president, headed by Ella Pamfilova. What approaches are being considered to the solution of this extremely difficult task in the environment of the economy in a state of crisis? This was the topic of our conversation with the head of the council's working staff, Yevgeniy Gontmakher.

### Three Categories of Indigent

[Golovachev] First, I would like to make clear the main point: In your opinion, is the problem of poverty topical for Russia? Or can it be that the opposition is indeed artificially blowing it out of proportion?

[Gontmakher] Alas, the problem of poverty today is not just topical—it is so acute that it requires immediate, comprehensive, effective measures. In my opinion, many experts, including those in the government structures, underestimate the situation, believe that the dimensions of poverty are artificially "inflated." They say: Look, stores are full of goods, people buy them, smile; only the lazy and unskilled live poorly. The reality is such, however, that according to Goskomstat [State Committee on Statistics] currently one in six Russians have found themselves below the poverty line.

Or take, for instance, this. The minister of labor recently reported that 2.5 million persons in the country earn minimum wage—until recently R14,600 and now R20,500. And the average for Russia sustenance minimum for a work-able person amounted in May to R87,500. Even with another job on the side, it is hard to make ends meet.

[Golovachev] And what if "on the side" they make, let us say, R200,000?

[Gontmakher] Then these people would quit their main job, because it does not make sense to spend so much time for the sake of R15,000 when you have R200,000. In short, unfortunately we have quite a few poor. You also have to keep in mind that people live in this situation not for a month or two, but already for a year and a half. Clothing and footwear wear out; people need to buy underwear, not to mention fixing a broken television set or refrigerator. It is one thing to tolerate poverty half a year, a year, but a long period of it begets new, very painful problems.

[Golovachev] So, in the final count, who are those living below the poverty line?

[Gontmakher] We can identify three categories. First, it is drunkards, mentally ill people, drug addicts—in short, people without a social status (scientists call them "depraved"). They comprise approximately 5 percent of the population. I want to point out that people "discarded" by the society, outcasts exist in all countries.

The second category are those who live mainly on fixed income: first and foremost pensioners, families with many children, single mothers. They also comprise 5-6 percent.

And, finally, the third category are the "new poor." They are workers at enterprises undergoing conversion, for instance, in the textile industry (there are especially many such examples in Ivanovo, Vladimir, Yaroslavl, and other oblasts). That is, we have here work-able, healthy people who all of a sudden found themselves "superfluous," unneeded in our life. The seriousness of this situation is evidenced by this extremely alarming fact: There has been lately a rising wave of suicides among young people, mainly married. At the age of 25-30, at the peak of their capacity, young men voluntarily take their own life. They are pushed into it by a heightened sense of responsibility for the wife and child whom they cannot support. Under the influence of momentary emotions, moods, they take this fateful step, because they feel that their life is at a dead end and there is no way out. This is a serious symptom. On the whole, these "new poor" comprise approximately 6-7 percent of the population.

[Golovachev] On the basis of what data do you draw conclusions on the number of poor? Are the data reliable?

[Gontmakher] Strictly speaking, nobody knows precisely the real scope of poverty today. Still, we can judge it with some certainty on the basis of surveys of family budgets conducted by the Goskomstat and the All-Russia Standard of Living Center, as well as on the basis of surveys, public opinion studies, and some other data. There is no reason to distrust these data.

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[Golovachev] But, there are poor people in all countries, including in developed countries with a socially oriented economy.

[Gontmakher] True. The problem is, however, the scale of poverty. In Germany and France, for instance, it is less than 10 percent, and we have 16-17 percent. And, on top of that, about 20-30 percent of Russia's citizens can soon find themselves near this threshold or below it. And, another principal difference: In developed countries the poor consist mainly of drunkards and mentally ill, as well as partially of new immigrants. In our country, millions of "new poor" are young families and other promising cadres, who have a job but over a lengthy period of time are paid next to nothing. Overall, the level of poverty in Russia is acquiring a threateningly large scope. We have to acknowledge, honestly and candidly, that the very fact of existence of a persistent stratum of "new poor" is anomalous and socially impermissible.

[Golovachev] In your opinion, what should be a "nonanomalous" percentage of the population with the income below sustenance level?

[Gontmakher] No more than 5-7 percent. So far it is hardly achievable for us, but this is the level we should aim for in the future if we want social peace, irreversibility of reforms, and broad support for them.

#### **Sustenance Minimum Should Be Guaranteed**

[Golovachev] Is not setting a goal of combating poverty today a utopia, daydreaming in the situation where our economy is in a crisis and there is no money in the treasury, while the budget deficit stands at R70 trillion (\$35 billion)?

[Gontmakher] Look at the data of public opinion polls. After the universal jubilation, euphoria of August 1991, when Russia rid itself of the communist totalitarianism, today about one-quarter of the population are ready to return to the soviet past, and many of them are resolved to take an active stand against a policy leading to impoverishment of the population. The scale of already existing and potential poverty sharply reduces the social base of reforms, causes their rejection by a considerable part of the population, and creates a favorable basis for the activities of the opposition. So we cannot postpone combating poverty until better times, because we simply may not make it in time, may not last until such times come.

There is only one solution: to adopt effective measures for the stabilization of the social situation in the country, and first and foremost—developing under the auspices of the president of Russia a national program for combating poverty as part of the program of stabilizing the standard of living. This program must envisage a set of measures of economic and social nature, as well as their legislative and institutional support. In keeping with Boris Nikolayevich Yeltsin's instruction, our council (along with other structures) already is working on the draft of such program.

[Golovachev] Could you formulate in a little bit more detail the program's main tasks?

[Gontmakher] Actually, there are two such tasks. First, to guarantee a sustenance minimum for everyone who are unable to provide it for themselves for reasons beyond their control. And second, to enable all work-able citizens to realize their potential to build decent conditions of life for themselves and their families.

[Golovachev] Domestic experience tells us that any program in the country is put together easily. The problems usually arise when it comes to implementation. The very first question is: Where do we get the money to help the poor and reduce their numbers?

[Gontmakher] I believe that the country's economic situation, if we look at it without rosy glasses, will not permit us for a number of years to increase the money spent on social needs in any substantial way (let us say, by an order of magnitude). In these conditions the problem of more efficient use of already available money becomes a priority.

This means that we have to put an end to the still habitual practice of "spreading" public assistance, so to say, across all population strata. For instance, both millionaire and low-income families receive allowance for children. But why should a millionaire get the miserly handouts from the state? It is better to give more to those who truly need it. Today we need to reject the blanket patronage, so familiar to the population, by the state, which still defines by its decisions the forms and the extent of social protection for practically every family.

Within the framework of the national program of stabilizing the standard of living, a special emphasis, in my opinion, should be made on creating conditions for increasing the income of the poor on the basis of selective (targeted) reduction of taxation rates, providing aid through free (or at below-market prices) food and services. But perhaps it is even more important to bring the needy into public production. And only in the event when for the reasons beyond their control a family or an individual cannot provide for themselves the minimally acceptable level of well-being, only then should the targeted social protection be used. Naturally, payment of benefits, compensations, targeted preferences, free food, clothing, footwear, and services—this and other assistance is strictly tied to the financial situation of each family.

Of course, only through more rational, effective use of available means can we achieve serious progress along the road of combating poverty. Certain additional money will be needed. It can be obtained through, for instance, increased taxes on the rich (including real estate and land tax) and expanding preferences for low-income people.

[Golovachev] In other words, back to leveling?

[Gontmakher] This is a long way from leveling, although I realize that this proposal is not terribly attractive. But it is better for the rich to share some of their wealth with the poor, or they may lose all of it.

#### **Who Will Get Assistance for the Needy?**

[Golovachev] All right, the program will be developed and this will probably take a long time. What do the poor do today, tomorrow? You said yourself that urgent measures are needed.

[Gontmakher] First, the draft of the program for stabilizing the standard of living will be ready to be presented to the president in two months—by 1 September. And second, as a quick and powerful social cushion it would be expedient to implement allowances for the needy in the very nearest future. By the way, it is envisaged in the draft law "On the Sustenance Minimum in the Russian Federation," which was adopted in the State Duma in the first draft. Of course, the final passage of the law will take time. Therefore, the new arrangements could be put into effect by a presidential edict for the period until this law is enacted.

[Golovachev] What is this "allowance for the needy," and who will be able to get it?

[Gontmakher] I want to particularly emphasize that there is no such allowance as yet and we are talking only about a proposal, a draft law. Anyway, the proposal is to set the value of the sustenance minimum in Russia at 40 percent of the average per capita income in the country. But, if the figure arrived at this way turns out to be lower than the minimum consumer basket, which we already keep track of, this basket will be used as a reference point.

Let us say the family income per family member is below the sustenance minimum on a given territory; then such a family (or an individual) will be able to apply for allowance for the needy. Provided, of course, that the family does not have, for instance, a dacha or some other property that can bring income. In short, the allowance should go to truly needy.

[Golovachev] What is the envisaged size of the allowance?

[Gontmakher] It will be the difference between the per capita income and the sustenance minimum. For instance, the family income is R50,000 per family member, while the sustenance minimum is R90,000. It means that R40,000 will be paid to each family member.

The proposal is to set the allowance for the period from one to six months. Then it can be extended for the same period.

Local executive organs will be monitoring the correctness of information contained in the income declaration of those who claim the allowance. If deception is uncovered, the claimant and his family lose the right to the money. Plus, the previously issued assistance, as well as a fine up to three times as great as the original amount, may be ordered to be repaid through the court.

[Golovachev] Are there estimates as to how many people in Russia may claim this allowance if it is introduced within the next few months?

[Gontmakher] There are such estimates, albeit they are based on the April data. In April the sustenance minimum measured R66,500. At the time, 15.9 million persons lived below the poverty line. Their monetary income averaged R52,900. Which means that to pay allowances for the needy would require R216.2 billion a month. Or R2.6 trillion a year.

Actually, if this allowance is implemented beginning 1 September of this year, according to preliminary estimates, less than R1 trillion would be needed. This is not such a

great amount compared to all budget expenditures (R194.5 trillion)—only 0.5 percent. Remember, in a matter of days specialists found additional R3 trillion for the military-industrial complex. In my opinion, it is quite possible to find the amount one-third as great to support the most needy. And, in the final count, even an additional emission in the amount of R1 trillion (over four months) would have only an insignificant effect on the rate of inflation.

[Golovachev] Will allowance for the needy remove social tension in the society?

[Gontmakher] To a considerable extent. But this is, so to say, a rapid response measure. Our problem is that even conceptual foundation of the social policy, which affects the interests of every family in Russia, still has not been defined. The lack of these conceptual foundations explains to a large extent the low effectiveness of the government's and Federal Assembly's actions in the social sphere, the lack of coordination in the efforts of federal and local authorities. We can no longer put up with this situation. After all, we have to learn something from past mistakes, of which, unfortunately, we made quite a few. Today we no longer have the right to make mistakes...

#### **Central Bank Territorial Administration Policy Reviewed**

944E1033A Moscow KOMMERSANT in Russian  
No 24, 5 Jul 94 pp 8-9

[Article by Yelena Makovskaya: "In the Central Bank, They Are Also Waiting for a Crisis"]

[Text] A two-day meeting of the head of Russia's Central Bank territorial administrations took place at the end of last week in Moscow. The event was interesting not only because it was the second gathering of the territorial administration directors since the appointment of Viktor Gerashchenko as head of the Central Bank (the first one can be considered simply a get-acquainted one) but also because the Central Bank for the first time submitted a decision on interest policy to such a broad discussion by professionals. The problem of overdue credits, which has become a source of danger for many, generally speaking, large commercial banks, was submitted to the bank forum for discussion. A decision was worked out directly during the meeting—the Central Bank put into effect on 1 July a new procedure for adding on interest for overdue centralized credits that assumes a lowering of the interest ratio from 2 to 1.3. In other words, the interest on overdue debts is set 30 percent higher than the refinancing rate.

In the "report" part of his presentation, the Central Bank chairman stated that he thinks the obligations that the bank assumed in 1993 have been fulfilled: The credit growth limits have been kept, inflation has been brought down to 8-10 percent a month, hard currency reserves have been accumulated (they are now approximately \$4.3 billion), a system for managing them has been developed, fluctuations in the ruble's exchange rate with the dollar have been smoothed out, and "the unwarranted gap between the nominal exchange rate and the parity of the ruble's purchasing power has been overcome." A GKO [expansion not

given] market (the size of this market segment will soon reach R2 trillion) has been organized and can be expanded, credit auctions are operating, a currency control system has been established, and payment and settlement relationships with the states of the near abroad and within the country are sorting themselves out. (Representatives from national banks in the countries of the West even think that the Central Bank has tried too hard, carrying out settlement to the day.)

Nevertheless, an impression has taken shape that the Central Bank chairman, for all his human optimism, is not in a position to live happily with respect to the above-listed achievements, since the Bank of Russia, in its words, is "not an ivory tower." The Central Bank regards the economy's present condition as something close to the loss of controllability. By the end of 1994, its specialists are forecasting a 25-26 percent drop in the production level from the 1993 level. According to their calculations, production in Russia has declined approximately 65-68 percent since the beginning of 1992. Thus, the suppression of inflation can be achieved simultaneously with the burial of the nation's industry against the background of the drop in production.

In Viktor Gerashchenko's words, the Bank of Russia will have to travel a difficult path, avoiding the temptation to issue credits by operating printing-presses and not allowing the collapse of the nation's industry, which is capable of causing irreversible processes.

In order to solve this problem, the Central Bank will evidently have to devote special attention to analytical work, compressing economic processes in the country's regions. Having studied the problem in advance, Central Bank specialists see Russia's economic priorities in approximately the following manner. One cannot save vast Russia, with its diverse climate, without maintaining its fuel and power engineering. At the same time, the fuel and energy complex is important to the country for preserving its export potential. The agrarian sector will have to be considered the second avenue of state concern.

Concerning the priorities of Russia's population, it seems that the bankers are united here with Bulgakov's Woland, who pointed out a corruption of morals due to the lack of a decision on the apartment question. In the Central Bank, they evaluate the state's housing construction programs as priority ones.

One would think, what is the business of the Central Bank before the problems of the real economy? A leaflet distributed among the participants on instructions of the Central Bank chairman contained the answer to this question. It depicted a tree of the aims of the U.S. Federal Reserve System in simplified form. The list of goals was ranked, beginning with reserve requirements, prime rate policy, and promissory note operations in the open market, and ending with the purchasing power of the national currency, real incomes of the population, and the employment problem, that is, problems that are not at all "banking" ones but "government" ones in our understanding.

Viktor Gerashchenko, chairman of Russia's Central Bank, said that the Central Bank is now developing concrete

measures to carry out the president's recently issued edicts on banking activity. In particular, the Central Bank intends to pay serious attention to bank oversight. The 1993 results showed that approximately 58 percent of Russian commercial banks violated the economic standards set by the bank. Last year, licenses were withdrawn from 19 banks; this year—from eight.

At the present time, the Central Bank is examining the question of withdrawing licenses from another 28 commercial banks. At the same time, Viktor Gerashchenko reported that nine banks had managed to correct their sad financial condition with the Central Bank's help. The chairman of the Bank of Russia thinks that a further increase in the number of insolvent banks is unavoidable. That is why the Central Bank recommended that commercial banks begin to form a "reserve for possible loan losses using profits after the remittance of taxes. At the beginning of the year, R111.2 billion were in this reserve; this covers only 5.2 percent of the amount of overdue credit debt."

The head of the Central Bank called "protecting the interests of bank depositors and limiting banking risks" extremely important avenue in its activity. (It is no secret to anyone that private deposits are the main source for filling the monetary resources of the country's commercial banks today. In the event of a mass bankruptcy of banks, the population's resentment could be transformed into a political problem.) In connection with this, Viktor Gerashchenko also lamented the absence of a separate law on the Savings Bank of Russia, which would provide a "mechanism for realizing state guarantees for repaying the population's deposits in the Savings Bank of the Russian Federation." The Central Bank chairman noted in passing that the elimination of unlicensed companies, which are operating with the population's deposits, will stretch out in a legal form for months to come. During the preparation and court examination, "deposits could be irretrievably lost."

In her presentation, Olga Prokofyeva, deputy director of the bank oversight department, dwelt on licensing problems. She emphasized that the rules in effect for issuing licenses unfortunately do not stipulate strict requirements for the financial stability of founding organizations and do not take into consideration their "reputation" and work experience in the banking area. Olga Prokofyeva spoke in favor of increasing the time to examine licenses to 1-1.5 years. (In the opinion of the representatives of the territories, the introduction of such time frames is not possible, since the procedure provides for blocking the founders' charter assets for this period—and the minimal charter capital of a newly formed bank is set at R1 billion).

Much time was devoted also to discussing interest policy. The representatives of the territorial banks, although they evaluate the system of auction credits as positive, think that this Central Bank undertaking unfortunately coincided with the drop in the prime rate. The bankers pointed out that the ban (according to the Central Bank statute on auctions) on the early repayment of three-month credits is scaring commercial banks. A procedure that permits administrations in the local areas to take a credit from borrowers—possibly



after a month—in order to issue it again to another client in its region could be a way out of the situation that has been created. (True, in this regard, the Central Bank will have to permit the administrations to issue credits at the refinancing rate in effect—considering its progressive lowering.)

Konstantin Shor, the chief of the Central Bank's Main Administration for Moscow, thinks that the conducting of credit auctions (in which Moscow's banks usually do not participate) can be successfully supplemented with pawnshop credits. In the area of bank oversight, Konstantin Shor called for an accurate division into banks and credit institutions, since organizations that are considered banks are frequently not that. The director of the Main Administration for Moscow also spoke in favor of the Central Bank's careful approach to participation in bank liquidation commissions, suggesting that auditing firms participate with the approval of the Central Bank in these commissions. His colleagues partly agreed with Konstantin Shor, being rather afraid that participation in the liquidation commissions would endlessly divert Central Bank cadres (at times, the procedure stretches out for six months). A number of specialists think that the Central Bank should busy itself with bankruptcies only when state resources have "perished" in the bank. At the same time, the bankers are not prepared to rely on the existing auditing firms, being critical of the level of professionalism in a number of them and the degree of their responsibility for the audit performed.

The problem of overdue credits, which has become a source of danger for many, generally stable, commercial banks, was submitted for discussion to the banking forum. Very strong pressure by the Ministry of Finance, which demanded market credit interest rates for all branches of the economy, was exerted on the Central Bank last year. It is natural that the users of centralized credits, in particular the agrarians, took them with despair and without the hope of returning them. Now, when the hour of payment is arriving, the financial noose is fastening primarily around the neck of the commercial bank through whom this credit came. The Central Bank is automatically adding on compound interest for the credits, which is equal to approximately 430 percent of the annual interest for the ultimate user. According to the rules, the Central Bank should automatically write off the entire sum from the bank correspondent's account at the deadline; how will it be collected from a penniless landowner?—this is a question of an entirely different order.

The Central Bank is also trying to break this vicious chain. A decision was worked out directly during the meeting—the Central Bank put into effect from 1 July a new procedure for adding on interest for overdue centralized credits that assumes a lowering of the interest add-on coefficient from 2 to 1.3 (i.e., the interest for the overdue debt is set 30 percent higher than the prime rate). At the same time, the territorial administrations are permitted to revise the interest being levied and postdate it when the contract in effect with the commercial bank provides for this. In the opinion of a number of specialists, the decision of Russia's government to budget subsidies for the agrarians in the third quarter and to finance the northern territories from the budget was also a considerable relief for the Bank of Russia.

Although it is still too early to draw final conclusions, a sense has taken shape among the experts that not one but a whole number of Central Bank decisions will be adopted based on the results of this meeting. In the aggregate, these decisions could in the very near future radically change the schema of financial and credit flows in the banking system and in the economy as a whole.

### **Volgograd Oblast Agricultural Performance Assessed**

944Q04704 Moscow SELSKAYA ZHIZN in Russian  
9 Jul 94 p 2

[Article by Yevgeniy Seredintsev, deputy chief of the oblast agricultural administration and honored agronomist of Russia: "The Stability Factor"]

[Text] Volgograd Oblast is a large agrarian region in Russia, possessing a significant share in the production of grain, industrial crops, and animal husbandry and other products. The vast land resources include 8.7 million hectares of arable land; 6 million of them are plowed fields. Grain takes up about 3 million hectares; fodder—less than 1.5 million hectares. Conditions are tough. Regularly recurring droughts, hot, dry winds, and wind and water erosion affect about 5 million hectares. However, the Volgograd people have been able to cope with the climate and the not very tender steppe. This was not a battle, but rather cooperation with nature.

A scientifically sound zonal system of agriculture was developed in the oblast almost 10 years ago. A little later, in the spring of 1987, a travelling ASKhKNIL [All-Union Academy of Agricultural Sciences imeni V. I. Lenin] session, which met in Volgograd, thoroughly examined it. The flower of our domestic agrarian science advised us which measures it was best to provide for in order to use existing resources more rationally under the dry steppe and semi-desert conditions to suppress erosion and make the harvest stable. A discussion of several results from incorporating the "dry" agricultural system in the oblast and about how much more it could be improved and applied to other drought-afflicted regions of Russia took place in May of last year during a travelling session of the RASKh [Russian Academy of Agriculture] presidium.

What did these years contain? In my view, the main thing is that a majority of the oblast's grain growers valued the support of science. They understood that one can with its help reduce in a comparatively short time our agriculture's vulnerability to droughts, whose intensity and recurrence is unfortunately growing from decade to decade; that the slightest underestimation of this leads again to an exhausting arrhythmia throughout agricultural production; and that we cannot count on other, more desirable, working conditions.

From the purely agronomic decisions, I will pick out the introduction of crop rotation, the optimum size of the fallow field, and the mastery of soil-protecting and moisture-retaining technologies. The evil intervention of droughts has significantly slackened off, crops have become cleaner, and the very standards of agriculture have been raised. Grain harvests during years with extreme conditions have risen twofold if one compares them now and, for

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example, 15 years ago. The following statistic also makes one happy: During 1981-1985, the oblast produced 3.4 million tonnes each year on the average, and during 1986-1993, a million more. The crop-rotation areas' productivity grew by 140 percent.

No, we cannot brag about records in agriculture. This is not our goal. We have achieved the most important thing for ourselves—stable outputs—when during any year, even the most terrible one, agronomists can state that the oblast will have bread and fodder.

Farms like the Tingutinskiy, Archedinskiy, Rodina, Verkhne-Buzinovskiy, and Gusevskiy, and even entire rayons—Mikhaylovskiy, Kletskiy, Pallasovskiy, and Chernyshkovskiy—have become genuine outposts for assimilating the new agricultural system. Dozens of farms are indebted to it for their rebirth, having been transformed from "ones lying down" into large producers of high-quality grain.

Real opportunities have been established to strengthen the stability of grain, fodder, and industrial crop harvests. The intensive-type winter crop areas have reached 1.4-1.6 million hectares. A course has been laid in toward the rebirth of the Volga wheat's former glory. Our selection's Volgogradskaya 84 type, which provides a stable output and very valuable crops, occupies approximately 600,000 hectares. The harvests of buckwheat, millet, sorghum, and corn for grain, that is, those crops which we call insurance ones, since they make maximum use of the precipitation during the second half of the summer, have increased. Special hopes are being placed on corn. Within a short time, it can provide an additional million tonnes of grain—both for food and for high-energy fodder.

Working with these main oblast fields requires a highly professional knowledge that many agricultural specialists possess. Among them are A. Kartashov, A. Karpov, V. Plotnikov, V. Kubrakov, S. Bashkirov, V. Melnikov, and N. Rakutin. By intelligently introducing new technologies, they have been able—and this is very important—to reduce erosion to a minimum. A stable trend toward increasing soil fertility has been observed on a majority of the farms.

The phytosanitary situation in the fields has also been improved somewhat. The amounts of chemical weeding have been reduced almost threefold. Pesticide applications per one hectare is the lowest among our neighbors, and it will be continuously reduced. Along with science, practices are advancing further. This year, we plan to develop more ecological landscape systems in the Gusevskoye and Balykley joint-stock companies and on a number of farms in Nekhayevskiy Rayon. This avenue, incidentally, must be regarded as a priority one in the development of agriculture—and not only for our oblast.

Such are the near prospects, but nevertheless prospects, whose fate will greatly depend on solving this year's complicated questions when, according to weather conditions and especially according to economic ones, including those connected with the continuing reorganization in the village, the chances for the stable production of agricultural products, unfortunately, have been reduced. If the processes of

creation do not gain the upper hand over destructive ones, I am afraid that both the accumulated experience and the active work of science to improve agriculture will remain unclaimed.

#### Yegorov on Bankers Association Issues

944K1960A Moscow LITERATURNAYA GAZETA  
in Russian No 30, 27 Jul 94 p 10

[Interview with Sergey Yegorov, president of the Association of Russian Banks, by LITERATURNAYA GAZETA staff and correspondents; place and date not given; under the rubric "Club 206": "The Time of Money"]

[Text] *At some time in the past, there was a very popular song with this thesis unobtrusively running through it: "Do you want to go to the moon? Yes! Do you want a million? No." We were raised altruists, expecting that under communism, which we necessarily would build some day, money would cease to exist altogether. As we can see, it all ended up being the opposite. The time we are living through today can be called without exaggeration the time of money. And therefore, to talk about money, we invited one of the most competent banking figures in the country—Sergey Yefimovich Yegorov knows this business long and well. For a long time he headed the RSFSR Bank.*

*In keeping with tradition, the first question to the guest is asked by LITERATURNAYA GAZETA Editor in Chief A. Udaltsov*

**Udaltsov** My first question was prompted by our readers. The Savings Bank had reduced its interest rate. Commercial banks intend to follow suit. We are told that this is because the economic situation in the country has improved. At the same time some new funds do the opposite—raise the rate, press the people to come in. Tell us, is this decision of the Savings Bank fair?"

**S. Yegorov** First a couple of words on the new national banking system, and then I will answer your question. After the national leadership realized that the way out of the existing situation is in moving the economy onto a free-market track, a decision was made to also create a banking system appropriate for it. The main actor in the market is the entrepreneur. Well, when these first entrepreneurs came to the state bank for loans, this was simply incomprehensible to the bank. Because the state bank worked with state enterprises in accordance with centralized instructions and plans. All these new market structures and entrepreneurs simply did not fit into this system. This is when the issue of reorganizing the banking system arose. Actually, any reform in the economy must begin with the reform in the banking system. Because you cannot accomplish anything without money—it is as simple as that.

Now we have a wave of so-called commercial banks coming on the scene. What are they? It is either a joint-stock society or a shareholder society. Approximately 20 private banks emerged, called precisely that; family banks. These banks operate without any financial help from the state; they make

their decisions independently and also take the responsibility for implementation and results.

What we are facing now is the issue of creating a principally new banking system following the classic scheme of developed countries. It is a two-tier system. One tier is the central bank—a state bank. It is not engaged in commerce; it does not deal with plants, factories, and entrepreneurs. Its task is propping the money supply, combating inflation, and regulating the activities of commercial banks. Everything else—loans, clearing, etc.—is done by commercial banks. The current banking system works on the basis of two laws—the law on the Central Bank of Russia and the law on banks and banking activities in the Russian Federation.

We now have 2,200 commercial banks. Of them, approximately 75 percent are shareholder banks; the rest are joint-stock or private banks. Their total capital is about R150 trillion. This system employs about half a million people, who took upon themselves the servicing of the entire national economy.

Now the answer to your question. Naturally, since the banks work by new—market—rules, the foremost consideration for them is not the plan, as in the past, but market levers. One such lever is the interest, or discount, rate. How has the interest rate behaved since the moment the new banking system was put in place? It kept going up. And it kept going up because the economy moved increasingly deeper into the spiral of crisis, inflation grew increasingly faster, and with it, naturally, prices.

What is the interest on a loan? It is the price of a loan. In our country it grew to 260-280 percent. This is the rate at which commercial banks lent money to their customers. But commercial banks, in turn, borrowed money from the Central Bank—and also with interest. Thus, in the end the interest charged was very high, but it was immediately eaten up by high rate of inflation, and the bank's profit margin was not very significant.

The situation remained this way until April. Now a change for the better has occurred, that is, the interest rate at which the Central Bank sells its resources to commercial banks was reduced from 220 percent to 170 percent and continues to decline. Naturally, commercial banks are also lowering the rate they charge when they loan money to a customer. And this has affected not only legal but physical persons as well.

In the past, the Savings Bank had a monopoly on working with population's deposits. And at that time nobody was in particular need of these credit resources. Now, in the environment of a market economy, both the Savings Bank and commercial banks are looking for credit resources they can put to work. In this search, commercial banks have been perceptibly more successful and were able to attract about 50 percent of the population to place money with them. The dynamics are such that most likely commercial banks will intensify work in this direction.

Is this good or bad? Answering more to the point of your question, I will say that this interest rate—220 percent charged by the Central Bank and up to 280 percent charged by commercial banks—could not be sustained for long. Now

we see the drop in the interest rate as a result of positive shifts in the economy. You know that the inflation rate has now declined sharply as compared to, for instance, last year. The question is for how long. In any case, things perked up perceptibly in the material production sphere. This, of course, had its effect, in that the rates started going down. Of course, the individual depositor may not like it. But this is a process that is both fair and legitimate.

**A. Udaltsov** And what about all sorts of obscure funds, which raise the interest rates—how should we treat those?

**S. Yegorov** A multitude of all sorts of financial companies, investment funds, etc., sprouted up, which illegally conduct banking operations. What does it mean—illegally? It is when they take the population's money and pay interest on it. Do you get it? Not dividends for implementing some specific program, but simply interest on the money borrowed. In this connection, our Association sounded an alarm as far back as a year ago, pointing out that such practice may result in a social explosion. Personally, I am very concerned over organizations operating in violation of the law coming into the financial market. True, now a decision was made that such funds must have two licenses. One for financial operations, from the Ministry of Finance, and another for banking operations, from the Central Bank.

Our people are too gullible. And all sorts of questionable funds take advantage of it. My wife's friend, a lady over 50 who works in an academic field, also got burned recently. She had \$600, and, having taken a commercial at its face value, she invested the money into the fund with a great name: "L.E.N.I.N."

**S. Oganyan, commentator** She probably invested it out of political considerations?

**S. Yegorov** Yes, she thought that the people in this fund were honest since they took the name of Lenin. Three months later, when she went to withdraw her interest, she did not find Lenin, or Stalin, or money, or these guys. So you see, a market economy places a task upon everyone—to learn.

**Yu. Kulikov, deputy editor in chief** Are our bankers guided by a certain code of honor?

**S. Yegorov** A very good question. In the past, a party reprimand could be issued and any person could be dismissed. After which he found himself outside the mainstream of life. It is different now, when you are independent and are guided in your daily work by your own notions of conscience, honor, and so on. At the Association's very first congress I proposed to adopt a banker's code of honor. I knew, of course, that this sounded somewhat naive. Because different people, to put it mildly, have flocked into the banking system. But still, I believe that everyone should work conscientiously.

**Yu. Kulikov** That reminds me of the old slogans in the streetcars: "Your Conscience is the Best Controller." Are any measures envisaged against those who violate ethical norms?

**S. Yegorov** Our code has a provision: If some bank violates these norms, it is expelled from the association, and the fact is announced all over the country.

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**A. Udaltsov** Have you had a chance to expel anyone yet?

**S. Yegorov** No, we have not expelled a single bank. We do it differently—we simply refuse to accept the banks whose reputation we consider dubious.

**A. Udaltsov** We have dealings with many banks, their leadership or heads of advertising or public relations departments... Here is this sad observation. You call them and get no answer. Or they give you the runaround, promising something and knowing in advance that they will not do anything. I want only one thing—to be told: Do not call any more, the issue is closed. Why do they do this? Are they too busy? Or simply uncereceremonious? Where is that Western businesslike attitude the "new Russians" like to mention so much?

**S. Yegorov** May I ask you a reciprocal question? Do you have a "vertushka" [government communications telephone]?

**A. Udaltsov** Yes.

**S. Yegorov** Do you always get your calls answered?

**A. Udaltsov** No. But I think that bankers, of all people, should answer. The "vertushkas" are part of the old world.... The regular phone, people should answer.

**S. Yegorov** It is a general decline of the sense of responsibility. Unfortunately, this is done in the banks that do not have any problem attracting clients. Which is almost all banks. Generally speaking, we still have too few banks. They do not have to fight for clients, they are not afraid of competition, and hence there is no incentive to improve their work. Why bother? It is the client who chases the bank. And for them, you are also merely a client, with whom they do not have to stand on ceremony.

**V. Bonch-Bruyevich, deputy editor in chief** What is your Association? Do you represent the banking world in dealing with the government, or the reverse—represent the government in the banking world? And what about the banks that are not members of your association?

**S. Yegorov** A banking association is not our invention. It is a world practice. And such associations exist, as you may have noticed, not just in banking business. What is entrepreneurial activity? You started, for instance, a small enterprise, partnership, a joint-stock company, or a bank. And then you are left one on one with the Ministry of Finance, the Central Bank, the tax inspectorate, the parliament, the president. They do whatever they want to you if you are alone. The first commercial banks went through horrible tribulations. That was when a decision was made to join into an association, which would represent and protect the banks' interests in dealings with the state. It now unites 850 banks.

**A. Udaltsov** We had quite a few prominent financiers and economists in this room—Khodorkovskiy and Nevzlin from MENATEP, Gusinskiy (MOST), Neverov (Germes); we published materials by, and interviews with, Vinogradov (Inkombank), Tosunyan (Technobank), Boyko (Olbey)....

And we asked them all one question: Do we have too many or too few banks? We got different answers. What would you say?

**S. Yegorov** There are catastrophically too few banks. In keeping with the world practice, there should be a banking institution per each 2,500 of the population, that is, a bank or its branch. We now have 4,600, not counting the Savings Bank. There are about 3,000 administrative rayons in the country. Keeping in mind that 600 banks are concentrated in Moscow alone, and several dozens in each other major city, it turns out that we do not even have a banking institution for each administrative rayon. In many regions, we have one bank for three or four rayons. To do a banking transaction, one has to travel hundreds of kilometers. What entrepreneur will be happy with this? In the West or in Japan, there is a bank on every block, so to say. In America alone, there are 13,500 banks with 50,000 branches. Now judge for yourselves whether our banking system is sufficiently developed.

**S. Oganyan** Does the Association deal with the issues of banks' and bankers' security?

**A. Udaltsov** I would even formulate the question this way: Why do they [bankers] get killed? Because they do not pay up, or pay too little, or are in debt, or in order to intimidate others? Those who do not get killed—are they paying protection money or do they have good security?

**S. Yegorov** I will answer first the first question. Yes, we pay a lot of attention to banking security. We have a special commission in the association board. It is headed, by the way, by Msrs. Gusinskiy and Tosunyan. Together with the MVD [Ministry of Internal Affairs], we have drafted a special plan of action. I met with Yeltsin on these issues as well, and as a result he gave instructions to the MVD, the former KGB, and so on. Unfortunately, law enforcement organs have a wrong attitude toward commercial banks: If you are robbed, it is for a good reason. We try to explain that this is not just this bank's money—it is society's money. If you have something against a specific banker, a criminal case—go ahead, open investigation, send it to the court, and so on. But you have no right to be negligent in the matter of protecting some or other bank. We also have in our Association a general, a former USSR minister of internal affairs, and he is in charge of this problem. But, I repeat, it is for the state to provide security for the banks. There have already been more than 20 contract murders of bankers, and none have been solved. Therefore, I cannot even tell why they have been killed. I can only guess. A few days ago one of our joint enterprises in the bread-baking business was visited by a group of people in foreign-made cars, who also offered "protection"....

**G. Tsitrinyak, commentator** And what did you do? Swallow this offer or hand them over to the militia?

**S. Yegorov** We turned to the militia. Sent an official letter to the chief of Moscow GUV D [city administration of internal affairs]. Moreover, two were caught. And I will tell you that as soon as we begin to surrender to extortionists, it will all end even worse.

**A. Udaltsov** Perhaps, for a wrap-up, this question. I recently read that banking employees' salaries are R1.5 million-R2 million. While the income of most people is limited to R100,000-R200,000. A little more or even less. Where do banks get this kind of money to pay their employees? And is it ethical to get paid so much amidst general poverty?

**A. Udaltsov** Statistically, the average salary of a bank employee is about R150,000. And by the way, salaries in banking are going down now.

**From the audience** It is like the average patient temperature in a hospital.

**L. Velikanova, commentator** Can you name a major project financed by one of your banks?

**S. Yegorov** Yes, there is this program—automobile production in Tolyatti. This is a very large project. It is handled by the Avtovazbank, which has set up a financial-industrial group. I recently went with Chernomyrdin to the United States for negotiations, and then we visited General Motors in Detroit. This concern also is involved in the Tolyatti project. But we also have other good programs—setting up enterprises for processing of agricultural products, for building new machine tools. The problem is in something else—the difficulties of the so-called project financing. We do not have enough well-thought-through programs that are developed on the level of world standards. Large banks already have set up investment departments, which study these programs and work on them. The Yalobank, for instance, participates in the development of Aviatika small aircraft. There are also other examples.

I have to note that serious work in the investment field is being done by Inkombank, Kredobank, Most-Bank, MENATEP, Stolychnyy bank, Promstroybank, Agroprombank, and Permkombank, which have competent staff to handle this work. Moreover, practically every bank is involved to some or other extent in the material production sphere. In general, the process of directing commercial banks' money into industry and construction is currently intensifying.

### Potential for Defense Industry Cooperation With Europe Examined

944F0984A Moscow NEZAVISIMAYA GAZETA  
in Russian 7 Jul 94 p 4

[Article by Sergey Paliy: "Russia Wants Common Military Production With Europe. The Domestic Market Cannot Recover Without a Breakthrough Onto the Foreign Market"]

[Text] Russia is lagging considerably behind even the East European states in the implementation of economic reforms. They are already beginning to scramble out of the crisis; we, on the other hand, are wallowing in it increasingly. The decline in production in the first quarter of 1994 constituted 25 percent as compared with the same period of last year, and productivity has in five months declined just about twofold.

Our stores, on the other hand, are piled high with imported commodities, inasmuch as it is unprofitable for entrepreneurs and businessmen to invest money in Russian enterprises.

Fortunately, our bankers have already begun to understand the seriousness of the current situation. The Association of Russian Banks, for example, is convinced that even foreign trade activity will soon be unable to match the advantages of cooperation with foreign firms. The aspiration of our bankers to cooperate with East Europe, where dozens of underloaded enterprises of the military-industrial complex are located, is understandable, of course. But they have lost sight of the fact that the markets left by Russian equipment manufacturers were immediately captured by Western corporations and firms of the military-industrial complex from that same East Europe. As a result, for them, increased production and reduced unemployment; for us, on the other hand, a decline in production and, at times, the complete stoppage of enterprises of the military-industrial complex, a colossal growth of hidden unemployment, and an increase in the social instability of society.

I would recall that Czechoslovakia [as published], which proclaimed a policy of total conversion, has already turned back onto the beaten path of arms production and exports. A couple of years ago it supplied overseas several million dollars' worth of tanks manufactured under Soviet license. It is obvious that the equipment that it sold was needed by someone or other, for the market abhors a vacuum. Consequently, had Czechoslovakia not sold these tanks, such military equipment would have been sold by Germany, France, Britain, or the United States. In figures the situation appears as follows: in 1992 the United States exported 1,241 tanks; Russia, just seven tanks. And it is very, very difficult to make up for what has been lost.

So it was that we approached the first principle of arms production. The output of mechanical engineering plants is a source of currency for any state. Weapons have at all times been made not only for the sake of war but also for the sake of obtaining profits. The reduction in arms exports has had for us, therefore, severe consequences.

Having "frozen" the activity of the defense enterprises, the Government of Russia was deprived of the most stable and abundant source of currency. Why not say precisely: This year enterprises of the military-industrial complex should sell so many tanks, guns, shells, and missiles, next year, this many. This would help us embark calmly on conversion.

Conversion in Russia should have been started, most likely, not with the termination of arms production in general, but with a numerical reduction in the Army and the formation of a potent rapid-deployment force. And the manufacture of military equipment needs to be upgraded. The fact that Arab countries preferred to purchase the American M1-A2 Abrams tanks and the French Leclerc tanks, not Russian tanks, testifies to the underdevelopment of our materiel resources.

It is no secret that machine tools and equipment that are 40-60 years old are employed at many Russian plants. At the

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same time, on the other hand, the leading European countries are putting the emphasis on high-technology production. In a couple of years a whole number of foundries will have been closed down there. But Europe's powerful metal-working industry, which includes hundreds of plants of the military-industrial complex, cannot be left without source material. For this reason Western firms are purchasing from us energy- and materials-consuming ferrous and nonferrous metal blanks. At home they are cut up in parts and sent to converters and electric arc and electron beam furnaces. As a result we have inherited the environmentally dirty production of cheap steel, others, its environmentally clean remelting and the manufacture of costly special steels and their products.

From time to time a Western firm will offer to supply us with modern equipment and know-how in exchange for supplies of finished products. But why not develop such cooperation on a broader basis? No one is calling, of course, for the production at Urals plants of German Leopard tanks, although their assembly is being swiftly established in Sweden.

Those same tanks, all-terrain vehicles, and engineering machinery require spares, components, and units, incidentally. We could, for example, build the transmission; this is not at all the same thing as manufacturing the whole tank. So much combat and other equipment is being manufactured in the West that the need for our steel and nonferrous metals is permanently high there. So why should we not manufacture the finished products that they need.

However paradoxical, the preservation of the production of military equipment in Russia could contribute to peace on earth. First, the manufacture of military hardware for our Army would decline. Second, thanks to our production of individual arms systems and components for Western countries, such production with them would automatically decline. Third, the production of military equipment would be internationalized, that is, it would be Russian, as it were. I shall explain: We could supply some spares to Germany and France, some components to Italy and Britain, and some units to Turkey, Spain, or any other country. In addition, stable exports of spares for military equipment of foreign and domestic manufacture could prove far more beneficial than exports of the equipment itself. The main thing is that this would be the start of Russia's integration in the system of world economic relations, where everyone produces what happens to be better and cheaper for him than for others.

The defense initiatives of the NATO members and Russia could be coordinated thanks to economic integration, incidentally. Having "common" military production with Russia, the European states could economize appreciably on military spending and wind down in planned fashion the production of types of arms that are inefficient compared with other countries, purchasing more modern equipment from their partners.

It is very important that the European states recognize that it is far more advantageous to have Russia as an economic partner, not a political adversary.

Russia has immense military-industrial complex capacity. But its export possibilities are being used to the extent of only 10 percent. Russian MiG and SU-class aircraft with electronic systems of European manufacture could, notably, constitute real competition for American products. And the Ka-50 and Black Hawk helicopters, Tu-80U and T-90 tanks, the Piranha, Triton, and Amur submarines, and the S-300, TOR-M1, and Tunguska SAM batteries would be a subject of envy for other countries.

It is exceptionally important that Russia could supply the entire spectrum of modern arms to pay off its international credit. Turkey has already availed itself of this situation. It was the first NATO country to purchase combat equipment in Russia: helicopters, armored transport vehicles, and small arms.

Not only military equipment, but also technical services in a "package" could be supplied. Point of information: Military services alone could produce one-fourth of the earnings from arms exports.

Russian aircraft and helicopters are in the arsenals of many countries, incidentally. The production of some, such as the MiG-21, has been terminated here. But spares for them are still in demand. And it is time to supply new electronic systems. And this means new orders and an influx of currency into our budget.

Lest overseas orders for the modernization of our equipment be intercepted by firms of third countries, it is essential to coordinate the activity of the enterprises of Russia's military-industrial complex. It is contemplated amalgamating eight branch commercial banks and creating a military-industrial export-import bank.

Of course, Russia has now been weakened, and it will not become a world leader any time soon. But it is essential that we pull ourselves out of the economic crisis as quickly as possible. It is time we understood that we will not recover on the domestic market without breakthroughs onto the foreign market.

#### First Coal Mine in Russia Closed

94P50178A Moscow ROSSIYSKIYE VESTI in Russian  
3 Aug 94 p 1

[Article by Aleksandr Rybakov: "The First Mine in Russia Has Been Closed"]

[Text] On 1 August the polar mine Khalmer-Yu, 60 kilometers from Vorkuta, ceased to exist. The 5,000-strong settlement with the same name will be moved. Able-bodied people will be settled in Vorkuta and the rest will move to southern regions where they will be given the opportunity to build or acquire apartments.

"Khalmer-Yu is an original test site, where the plan for closing enterprises which have exhausted their resources is being worked out," acting chairman of the Vorkuta miners trade union Aleksandr Cherkasov told us over the telephone. "In the next seven years four more mines in the polar regions will be closed—Yuzhnaya, Promyshlennaya, Yun-Yaga and Yur-Shor. But they are building a new 33-mine



While there are people there that is where they will build. They will require 1,400 underground workers."

In Russia, as the general director of the state company "Rosugol" Yuriy Malyshev told your RV correspondent, in all 42 mines are being prepared to be closed. A decision has been adopted gradually to cut subsidies to unprofitable mines and to increase investments in promising extracting enterprises. A program has been created in "Rosugol" for clearing up its finances and reorganizing the sector.

However, as the sectoral experts themselves recognize, the program's full-fledged implementation is complicated by a serious shortage of money. At the beginning of July consumer indebtedness reached 3.698 trillion rubles (including budget indebtedness of 147 billion rubles) This resulted in loss of work rhythm and increased social tension in the mining regions. As a result the miners themselves owe the government and suppliers 4.140 trillion rubles, including 736 billion rubles to the budget.

#### Siberian Trade Bank's Trends Reviewed

944F1117B Novosibirsk *VECHERNIY NOVOSIBIRSK* in Russian 27 Jul 94 p 8

[Unattributed review: "The Siberian Trade Bank"]

[Text] By the middle of 1994, the Siberian Trade Bank became not only the largest bank in Novosibirsk but also, thanks to the trust of thousands of stockholders and depositors, a solid public organization. Today practically one in three families in the city is associated one way or the other with the Siberian Trade Bank. The well-being of each one of the 125,000 depositors and 15,000 stockholders—their families, parents, and children—depends on the bank's competent work, its development, and profitability of its operations. Being aware of their responsibility to each client, the bank strives not only for the greatest efficiency in its work, but also makes information about its current activities as available as possible. Beginning with today's material, the bank intends to publish monthly its balance sheet, commentary to it, and the results and prospects of its development.

Over the first half of 1994, the Siberian Trade Bank increased its charter capital almost sixfold, bringing it to R8 billion. Awaiting registration in the Central Bank of Russia is the emission prospectus for the sixth issue of stock, as a result of which the bank's charter capital will increase in the fall to R25 billion. Since the time of the general stockholders meeting (March 1994), which approved the main directions for the development of the Siberian Trade Bank for 1994, the number of stockholders increased almost 2.5-fold, and the share of private individuals, enterprises, and fund structures among them increased as well. Each group of stockholders presents different arguments, but they agree on one thing: the Siberian Trade Bank's stock is reliable, lucrative, and liquid.

#### Dynamics of Changes in the Siberian Trade Bank's Charter Capital (R millions)

6 February 1992	60
30 June 1993	656
29 November 1993	1,155
10 March 1994	3,204
24 June 1994	8,000
1 October 1994	25,000

In January-July 1994, a very difficult economic situation developed in Russia, which affected not only banks, state enterprises, and commercial structures, but all Russians. Production decline and the unbalanced state of the economy forced financial structures to face the necessity of strong interference in the production process. Interest rates on loans to enterprises were reduced dramatically in order to create maximally favorable conditions for their operation. Such rate reduction could not fail to cause a change in the interest rate paid on deposits, both to private individuals and enterprises. The annual interest rate on commercial credit in the Siberian Trade Bank was dropped from 300 percent to 170 percent, and the rate paid on individual deposits dropped from 274 percent to 80 percent (for six-month deposits). Many banks, figuring that it was no longer profitable to accept deposits from private individuals, suspended operations in this line of business altogether. The Siberian Trade Bank continued to accept deposits from individuals (although it had to reduce the interest rate) but was able to maintain high interest rate on accounts of those depositors who signed an agreement with the bank before 21 April—this is when the decision was made to reduce rates for individual depositors. On 5 July, the interest rate was changed for everyone, to 180 percent for six-month deposits. Despite this reduction in the interest rate, the bank was able to keep the trust of its depositors and even increase their number (100,000 in January, 125,000 in July).

Changes also took place in the Siberian Trade Bank's credit policy. While in January, 99 percent of commercial loans were issued for the period of less than three months and mainly to commercial enterprises, in June the bank was issuing the bulk of its loans to state enterprises and private individuals, and in most instances the loan period exceeds five months.

In June 1994, the Siberian Trade Bank began implementation of a new project—issuing the Golden Crown bank debit cards. Essentially, a deposit to the Golden Crown card is the same as an "on-demand" deposit: The depositor has an unrestricted use of his money while the money is earning interest. The Golden Crown cards are accepted today in more than 60 stores and service enterprises (box offices, restaurants) in Novosibirsk; more than 1,500 persons have the card; card handling units have been opened not only in Novosibirsk, but also in Moscow. The interest paid on the Golden Crown deposits is 100 percent annually. In the near future, the bank is planning to actively introduce the Golden Crown system in Moscow and St. Petersburg. In addition to cards for individuals, the bank began issuing a card for enterprises—the so-called corporate card, which will considerably facilitate payments between enterprises in buying and

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selling. In the second half of 1994, the Siberian Trade Bank plans to make the Golden Crown a credit card.

In the first half of 1994, the Siberian Trade Bank expanded the spectrum of its foreign currency operations. The bank not only exchanges dollars and German marks, but also opens time deposit accounts for private individuals, offers foreign currency services for enterprises in a variety of lines of activities, and at most preferential service rates.

Over six months of 1994, the Siberian Trade Bank opened 13 branches in different rayons of the city, which provide services for the population, and three divisions—in Moscow (three branches), St. Petersburg (five branches), and Kaliningrad; it did preparation work for opening divisions in Vladivostok, Kamensk-Uralsk, and Barnaul. In all cities, the Siberian Trade Bank offers the same services to enterprises and private individuals, and the same terms of service; a bank's client is free to deal with any division regardless of which one he has signed a contract with.

The number of enterprises keeping their clearing, deposit, and current accounts in the Siberian Trade Bank has increased: the number of the Siberian Trade Bank's correspondent banks increased from 250 to 300; the correspondent network encompasses all regions of Russia; the currency in the bank's balance increased over half-year almost 4.5-fold and currently amounts to R590 billion; the bank's daily turnover is in excess of R150 billion.

Overall, the Siberian Trade Bank's operations in the first half of 1994 were aimed at maintaining stability and reliability, at increasing the spectrum of services and lines of banking activities, expanding into new financial markets and attracting new clients. By analyzing attentively the general situation in the country, following all changes, and calculating every step, the Siberian Trade Bank was able not only to keep its position as a leader, but also begin realization of new projects that can ensure the bank's success in the future. The success of the bank, its partners, stockholders, and depositors.

**Siberian Trade Bank's Balance Sheet (in R thousand)**

<b>Liabilities</b>			
<b>Line item</b>	<b>Amount as of 01-01-94</b>	<b>Amount as of 07-01-94</b>	<b>Increase in percents</b>
Profit	11,008,494	10,955,579	99.52
Funds	2,157,275	13,676,725	633.98
Clearing accounts	9,767,258	16,784,411	171.84
Deposits	4,127,664	10,094,027	244.55
Population's deposits	7,290,464	51,382,180	704.79
Loans from other banks	10,368,000	11,000,000	107.06
Corr. banks' accounts	60,590,640	217,500,281	358.97
Other liabilities	5,415,776	91,415,274	585.01
<b>TOTAL</b>	<b>110,725,571</b>	<b>422,908,477</b>	<b>381.94</b>
<b>Assets</b>			
<b>Line item</b>	<b>Amount as of 01-01-94</b>	<b>Amount as of 07-01-94</b>	<b>Increase in percents</b>
Cash	1,579,070	6,252,156	395.94
Short-term loans	33,986,261	57,938,766	170.48
Loans to other banks	1,400,150	121,370,150	8,668.37
Fixed assets	3,619,706	15,945,382	440.52
Stock, investment	116,763	3,514,243	3,009.72
Corr. banks' accounts	58,232,030	121,644,323	208.90
Other assets	11,791,591	96,243,457	309.64
<b>TOTAL</b>	<b>110,725,571</b>	<b>422,908,477</b>	<b>381.94</b>

#### **Siberian Trade Bank President Interviewed**

944F1117A Novosibirsk VECHErNIY NOVOSIBIRSK  
in Russian 27 Jul 94 p 8

[Siberian Trade Bank's President Yevgeniy Koluga answers questions from Novosibirsk residents; place and date not given; under the rubric "Readers' Press Conference": "The Siberian Trade Bank"]

[Text] On 20 July Siberian Trade Bank's President Yevgeniy Viktorovich Koluga appeared in a live call-in broadcast.

Unfortunately, Novosibirsk residents' calls to the studio were too numerous to answer all of them during the broadcast. Today you will be able to find answers to the questions of interest to you in our special readers' press conference.

[Question] You lured depositors by high interest, and now you lowered the rate. We are used to being cheated by the state, and now commercial structures do the same...

[Koluga] We did not deceive anyone; we offered lucrative but at the same time realistic interest. Now we also offer

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realistic interest. I would advise the depositors to read attentively the terms of agreement, which has a clause regarding the right to change the interest rate.

[Question] You accepted deposits when the interest rate was high; now you lowered it, and, if the client after the drop in the interest rate does not want to leave the deposit with you, you return it but apply a penalty. Does this have a reverse force—that the bank is obligated to pay the client for not keeping its promise?

[Koluga] We keep all our promises to depositors; I would like to once again draw your attention to the terms of the contract, which says that if a time deposit is withdrawn prematurely, it is treated as an "on-demand" deposit and, accordingly, the interest is calculated at the rate applicable to this type of deposit.

[Question] You promised that for those who made a deposit before the decision to lower the interest rate, the old rate would remain in effect, so why did you lower it beginning 5 July?

[Koluga] Interest rates on deposits are directly linked to interest rates on loans. When interest rates on loans go down, they cannot go up on deposits. We cannot deceive depositors and promise them more than we can pay. The choice is always for the person to make.

[Question] Will interest rates go down again?

[Koluga] Yes, in August the rates may be lowered, but there are reasons to believe that in the fourth quarter the rates may go up. It depends on the economic situation in the country in general.

[Question] Interest rates in Novosibirsk are going down, while in Moscow they are going up. How can you explain this?

[Koluga] Interest rates in Moscow are not going up; serious Moscow banks always offered and currently offer the interest rate that is slightly lower than in other cities. At least we may be talking about equalizing interest rates.

[Question] I read in the newspaper that you have a division in Moscow, which pays 570 percent annual interest rate. I would like to know what interest rate your bank pays in Moscow.

[Koluga] Our bank pays the same interest rate in all cities—Moscow, St. Petersburg, and Kaliningrad.

[Question] Please tell about the TIBET concern, and whether it is possible that this concern will open a branch in Novosibirsk—or will the banking mafia not allow it?

[Koluga] There is no "banking mafia;" those who wish to play Russian roulette are free to do so. As to the TIBET concern, you can read about it in one of the recent issues of VECHERNIY NOVOSIBIRSK.

[Question] How did the decline and rise of the interest rates affect the interest paid over the period of deposit?

[Koluga] As the interest changed, interest paid on each individual contract changed as well. It increased every time

the interest rate went up; lower rates were applied to previously signed contracts beginning 5 July.

[Question] Can my pension be transferred to an account in your bank?

[Koluga] Yes.

[Question] Do I not lose if I do not withdraw the monthly interest accrued to the account every month?

[Koluga] No, in this case, for each new period, interest is calculated on the real amount in the depositor's account. That is, if you deposited R10, next month you have R11, and from that point on the interest is calculated on R11.

[Question] Does your bank accept payments for municipal services?

[Koluga] I hope that we will begin to provide this service for our clients before 1 September.

[Question] You have very long lines at deposit acceptance windows; the waiting area is small, not equipped for the purpose. Do you plan to change your attitude toward clients?

[Koluga] We try to treat every client with respect. The waiting lines are the result not of our negligence but rather of the fact that our bank has more clients than the Sberbank [State Savings Bank], while the space we have is not adequate to serve everybody fast. We are opening new branches in the city; there are 13 of them now, and they are in practically every rayon.

[Question] Do you plan to issue regular information updates for stockholders?

[Koluga] Yes, we will be publishing monthly the information on the bank's current activities in the city newspapers.

[Question] What is your attitude toward financial-industrial companies and banking consortia now coming into existence, and are you planning to do anything in this direction?

[Koluga] The attitude is positive, and we are already working in this direction. By the end of the year, we will be represented in two or three financial-industrial companies.

[Question] When the fifth stock issue is registered, when will you begin paying dividends on it, and when can one exchange certificates for stock?

[Koluga] The fifth issue was registered on 25 April 1994, and its results—on 9 June. Dividends will be paid upon the decision of the next stockholders meeting. Our bank's stock exists in noncash form, and, therefore, a certificate is a full-fledged document, which proves that you own stock.

[Question] Why have add-on deposits been canceled?

[Koluga] Beginning 1 September, this form of deposit will be reinstated.

[Question] Is the bank insured with an insurance company, and can it go bankrupt?

[Koluga] There are currently no insurance companies in Russia that could insure our bank—none of them is large enough. Our only insurance is multibillion turnover.

[Question] Can a person cancel a contract with the bank at the interest rate prorated if the money is on time deposit?

[Koluga] No. The "on-demand" account interest rate will apply.

[Question] How is your gallery doing, and can one visit it?

[Koluga] The gallery is doing well; we purchased many paintings of both modern artists and classic masters; we held an exhibition of our paintings in Moscow in the Central House of Artists, and it was a great success. By 1 January, we are planning to open a separate place for our gallery in Novosibirsk.

[Question] The press constantly talks about higher inflation, which is evidenced by the rise in the dollar exchange rate, while you are saying that inflation is receding. On what grounds?

[Koluga] Even if you base your conclusions only on the dollar exchange rate, the dynamics of its rise half a year ago was running ahead of the current one. Do your own calculations and you will see that this is true.

[Question] You are lowering the interest rate; why then do salaries of bank employees increase?

[Koluga] The salaries of bank employees are not tied to the interest rate in any way; they depend on the bank's profits.

[Question] Can one transfer money from another bank to the Siberian Trade Bank?

[Koluga] Yes, you can.

[Question] Can one withdraw the money deposited in the Novosibirsk branch in Moscow or the bank's other branch?

[Koluga] Yes, just as you can get service in any branch in the city, you can use the services of any other branch of our bank.

[Question] Does your bank participate in some or other oblast programs?

[Koluga] Yes; as an example, I can say that wheat purchases made by our oblast are entirely financed by our bank.

[Question] What is the best way to keep money in your bank—to invest it in stock, in a ruble deposit, or a foreign currency deposit?

[Koluga] There is no universal recipe for this. At certain points in time, each of these three types of investment is more lucrative than the others. For instance, in the first quarter of this year, it was more profitable to keep money on deposit; now it is better to put it into stock. As to ruble and foreign currency accounts, the difference between them practically has disappeared.

[Question] Will your bank introduce anonymous deposits payable to the bearer?

[Koluga] I hope we will be able to introduce them beginning 1 September. This is not as simple as it looks—there are formalities required by tax services, etc.

[Question] Does your bank have investments abroad?

[Koluga] Right now—no, but it is possible that in the near future we will be able to invest our money abroad.

**Siberian Trade Bank's Balance Sheet (in R thousand)**

<b>Liabilities</b>			
<b>Line item</b>	<b>Amount as of 01-01-94</b>	<b>Amount as of 07-01-94</b>	<b>Increase in percents</b>
Profit	11,008,494	10,955,579	99.52
Funds	2,157,275	13,676,725	633.98
Clearing accounts	9,767,258	16,784,411	171.84
Deposits	4,127,664	10,094,027	244.55
Population's deposits	7,290,464	51,382,180	704.79
Loans from other banks	10,368,000	11,000,000	107.06
Corr. banks' accounts	60,590,640	217,500,281	358.97
Other liabilities	5,415,776	91,415,274	585.01
<b>TOTAL</b>	<b>110,725,571</b>	<b>422,908,477</b>	<b>381.94</b>
<b>Assets</b>			
<b>Line item</b>	<b>Amount as of 01-01-94</b>	<b>Amount as of 07-01-94</b>	<b>Increase in percents</b>
Cash	1,579,070	6,252,156	395.94
Short-term loans	33,986,261	57,938,766	170.48
Loans to other banks	1,400,150	121,370,150	8,668.37
Fixed assets	3,619,706	15,945,382	440.52
Stock, investment	116,763	3,514,243	3,009.72
Corr. banks' accounts	58,232,030	121,644,323	208.90
Other assets	11,791,591	96,243,457	309.64
<b>TOTAL</b>	<b>110,725,571</b>	<b>422,908,477</b>	<b>381.94</b>

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## POLITICAL AFFAIRS

**Kravchuk Presidency Assessed**

944F1015A Moscow NEZAVISIMAYA GAZETA  
in Russian 13 Jul 94 pp 1, 3

[Article by V. Pornikov: "Leonid Kravchuk—Departure of a 'Ukrainian Gorbachev.' The First President of Ukraine Was Clearly Not Prepared To Lose"]

[Text] Leonid Kravchuk is not leaving at the best possible time for him: having lost the elections and being jeered by his opponents in Russia, who cannot forgive the first Ukrainian president for dismantling the empire at Belovezhskaya Pushcha, and his opponents in Ukraine who hasten to charge the dethroned leader with responsibility for the sluggishness of the party in power, which has gone bankrupt some three times during the inglorious premier-ships of Masol, Fokin, and Kuchma. This invincible party once again managed to remain at the helm in Ukraine, replacing the former party ideologue with a former "Red director." Leonid Kravchuk lost his second elections for the same reason he won the first ones: Two and a half years ago he appeared as a supporter of economic success as a consequence of independence in the struggle against a supporter of national statehood, Vyacheslav Chornovil. At that time Rukh complained that Kravchuk borrowed and included his slogan in his own platform, but in just two years history treated Leonid Kravchuk quite cruelly. His former prime minister appeared in the role of a 1991 model of Kravchuk, while the president of Ukraine appeared in the role of Chornovil, which was somewhat unusual for him. The state idea again yielded to economic projections that were perhaps unrealizable, but attractive to voters. Returning to Kiev from his native Dnepropetrovsk, however, the second president of Ukraine, it seems, is starting to appear in a role that is new to him: supported in the east and rejected in the west, he might initiate the first steps to attract specifically that half of the republic which rejected him. The same was also being done not too long ago by Kravchuk, who was supported in the east and rejected in the west of Ukraine. This will apparently now become an endless story of the testing of Ukrainian presidents, but it will hardly be as engrossing the second, third, or fourth time. Leonid Kravchuk had to travel a path from the east to the west lacking the experience of a predecessor. It is probably for this reason that he will remain quite a colorful figure in most recent Ukrainian history.

Despite the clear antipathy of Gorbachev toward Kravchuk, it is necessary to recognize that in the post-Soviet Union space, there are few other politicians so similar to Mikhail Sergeyevich. Kravchuk is distinguished by the same tendency to compromise at any cost. The same ability to portray retreat as a success. The same fear of confrontation and the same sincere desire to listen first of all to oneself. The appearance of Kravchuk on the political arena of Ukraine is also undoubtedly connected with the appearance and style of Mikhail Gorbachev. The last Brezhnev procurator of Ukraine, Vladimir Shcherbitskiy, was clearly not similar to the then general secretary of the Central Committee of the Communist Party of the Soviet Union, and the

new leader of the Ukrainian party organization, Vladimir Ivashko, appointed by Gorbachev, also did not fit that image. Only one of the Ukrainian party leaders, the then ideologue Leonid Kravchuk, could conduct free discussions on live television with leaders of Rukh, which at that time had fallen out of favor, and what is most interesting, win victories, the same kind of victories that were won in several years or even in several months when he was defending Rukh's slogans against attacks by his opponents. It is specifically Leonid Kravchuk who deserves credit for establishing cooperation between the party in power and the national-democratic forces. This achievement turned into defeat for Kravchuk himself, since he did not agree to break with any of these forces that ensured Ukrainian independence. As a result, the party in power perceived independence as an attribute and allowed practically no development of the Ukrainian state. When Kravchuk proved to be no longer advantageous to that party, it easily offered voters another individual from the same deck, but a somewhat less colorful one and one even more dependent on industrialists from the military complex, who are prepared to reject any reforms in order to save their bankrupt enterprises. Dependence on the party in power and inability to break with it in the end led even admirers of Kravchuk's brilliant diplomatic gifts to a disconsolate conclusion: The president has exhausted himself, and his time is passing. Kravchuk's main competitor turned out to be Leonid Kuchma, reviving memories of the several months of his prime ministership, which made so much noise, and who compelled many to think about the fact that now power would shift to a completely different team with totally different economic priorities, one which also declared that a mythical and unrealizable union with Moscow is the main solution in the economic sphere. Kravchuk, however, lost to Kuchma.

Before that occurred, however, the first Ukrainian president managed to achieve what is most important: Refusing the country real economic reforms, he still succeeded in creating the framework of a new state on the carcass of the Ukrainian SSR, whose rules of the game will now have to be followed by the presidential apparatus, the parliament, the government, and even the regional organs of power, including Crimea, which fell into the trap of the fateful presidential elections. In the very next several weeks we will be surprised witnesses of how that structure will easily adapt to itself victors from Kuchma's team, who, by the way, are already quite familiar with it, or within a short period of time it will become that insurmountable obstacle along their path that cannot be negotiated even with a national mandate in pocket. The country formed almost painlessly, absorbing both the old army, which in many similar cases has become a dangerous barrier on the way toward liberation of new countries from the mother country, and the old security service and interior troops, genetically linked with the old imperial power structures. Evidence that these are not empty words is provided even if only by the fact that the last KGB chairman of the Ukrainian SSR became the first chief of the Federal Counterintelligence Service of Russia. The possibility of a Russian-Ukrainian conflict, which so frightened the world, was reduced to zero—it is hardly necessary

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to view the endless competition for the Black Sea Fleet, which no one needs, or the Crimean problem, which evolved into a bilateral governmental issue, as a real threat.

It must be recognized that both Moscow and Kiev utilized dangerous points in their mutual relations as a trump card in the political struggle, and it is specifically for this reason that debatable topics in collaboration between Russia and Ukraine never did become a real cause aggravating relations. While the economic victory of Russia, which managed to start the reform of its own economy, became another reason for a review of relations between the two countries, Leonid Kravchuk, however, undertook such review unwillingly, and he himself can hardly be blamed for this. Such rules of the game were more than likely dictated to him and will continue to be dictated to his successor by the structure of the Ukrainian state as well as by the structure of the unreformed Ukrainian economy. Until a real improvement in the health of the Ukrainian economy begins, it is specifically that level of relations between Russia and Ukraine that was attained by Leonid Kravchuk that will define the true context of the Russian-Ukrainian collision, while his successors will be divided into those proclaiming the health or the demise of Russian-Ukrainian mutual understanding.

The late Richard Nixon once called Leonid Kravchuk a politician more dangerous to Mikhail Gorbachev than Boris Yeltsin. It is difficult to judge the accuracy of that definition. In the end, as commonly known, it is specifically the Russian Federation that helped to proclaim Ukrainian sovereignty and this, just as proclamation of Ukrainian independence, helped Russia find even if only a formal possibility for the realization of its break with the center. No one, however, can deny the fact that the Ukrainian leader managed to understand the mechanisms of power in his own country in time. Most likely, just like Mikhail Gorbachev, he did not overtake the process, but in a timely manner followed it and did that in such a skillful manner that many opponents considered him and only him to be the chief architect of these processes. It is sufficient to look at the memoirs of companions in arms of the Union president himself, it is enough to refer to the interview with Mikhail Gorbachev, in order to see that it was specifically Kravchuk who appeared to be the person who conceived and realized Ukrainian independence despite the Soviet Union. In reality, however, everything was either not quite like that, or altogether different. In the end it was specifically Leonid Kravchuk who sensed that true power was flowing to the parliament from the Communist Party, which at that time was losing its mandate. A confluence of circumstances, among which was the removal of Vladimir Ivashko from the post of chairman of the Supreme Soviet of Ukraine, was required for such an understanding to appear. Heading the parliament, Leonid Kravchuk behaved completely differently than Ivashko, who aspired to occupy the principal post in the republic in that position as well. At first he behaved himself with sufficient caution, thereby almost completely putting to sleep the communist leadership of the republic. It was only after August that it noticed that almost all real power was concentrated in the soviets, but, in the end, were it not for August, real resistance in Ukraine at that time

would have taken place on an entirely different Rubicon. It was specifically the events in Moscow that helped to paralyze not only the Union center, but the Ukrainian communists as well, who came to their senses in a few years, and then, after their awakening, were also compelled to play by the roles forced on them by Leonid Kravchuk.

I remember Kravchuk very well at the session of the Supreme Soviet of Ukraine that proclaimed Ukrainian independence. At that time it appeared that balloting would be impossible to conduct. Communists were prepared to adopt the document only if the communist party was preserved. The national democrats were striving to adopt the document of independence and the decision concerning prohibition of the Communist Party as a package and, in addition to that, accused the chairman of the Supreme Soviet of indecisiveness in the days of August. It is true, Kravchuk behaved as the leader of a collective organ of power and not as a head of state. Leonid Kravchuk managed not so much to agree with competing factions of the Ukrainian parliament as to exploit the emotional climate that formed in the country at that time. He really was aware, however, that if parliament had not declared Ukrainian independence at that time, he would have simply been swept away by the politically active masses. Other masses in other regions of Ukraine at that time could have withstood pressure from the west and the center. Ukraine could have perhaps found itself in the Soviet Union but also in the midst of a real civil conflict. That conflict was prevented, and just a few months before the referendum, the consciousness of Ukrainian society changed in favor of a possible proclamation of the country's independence—an idea that appeared seditious as early as in the summer of 1991 and was shared by a clear minority of the Ukrainian society of that day.

Ukrainian independence, however, was viewed differently in the west and east of the republic. In the west it was primarily regarded as state building, while in the east it was viewed as economic prosperity. It turned out that both are simply impossible at the same time, and more than one Ukrainian president will find himself trapped between these two views of the future free state. Leonid Kravchuk could have prevented that dangerous misunderstanding, as well, which could have formed between Russia and Ukraine not only with regard to individual issues but concerning an issue of paramount importance in Russian and Ukrainian political life—Ukrainian freedom from Russia. The resolution of that issue required elimination of the Soviet Union and the resignation of Mikhail Gorbachev.

It is possible to evaluate these events in different ways, but the liquidation of the empire in itself is an indisputable achievement of the Ukrainian president. Even though in various countries that will always be evaluated differently, as for instance, in Ukraine itself in different periods of its history. As often happens today, it might not be quite correct to speak of the historical role of Leonid Kravchuk—he lost, and his true historical role may become clear to Ukrainian citizens perhaps after the second presidency comes to a conclusion as well, the presidency of Kravchuk's successor—Leonid Kuchma.

**Editor Ponders Fate of Kuchma Presidency**

944K1869A Kiev NEZAVISIMOST in Russian  
20 Jul 94 pp 1-2

[Article by NEZAVISIMOST Editor in Chief Vladimir Kuleba: "Ukraine After the Presidential Election: A New Cycle of Struggle"]

[Text] The sensational victory of Leonid Kuchma has put an end to a certain segment of history of an independent Ukraine. Without bloodshed, or the shooting up of the parliament by tanks, or polarization of society, the supreme leadership of the country—the speaker, the prime minister, the president—has been democratically replaced.

It is another matter that this, unfortunately, has not clarified mutual relations between the branches of power. Both continue to hog the covers. The passage of the draft law on local self-government and the hasty formation of a new Cabinet of Ministers prior to the presidential election are vivid proof. These and other steps taken by the parliament in which Communists constitute the majority have substantially weakened executive power and narrowed to a minimum the leeway for presidential activities. Before we consider scenarios for the possible development of events, let us try to pinpoint what to our minds are the most characteristic peculiarities of the current political situation.

**WHY DID L. KUCHMA WIN?** How could it happen that a team of armed-to-the-teeth, dyed-in-the-wool nomenklatura wolves supported by the Ministry of Internal Affairs, the SBU [Security Service of Ukraine], the army, the guard, the presidential viceregents in the regions, the servile newspapers, and the odiously corrupt television were routed by a group of little known, young intellectuals, political scientists whom no one took seriously as little as a month ago?

Vyacheslav Chornovil was the first one to word the currently fashionable statement: Kuchma did not win, Kravchuk lost. As we analyze the results of the election, we come to the conclusion that the former leader of the former opposition is right. Leonid Kravchuk lost because, first, all of this time he has been virtually passive, engaging exclusively in either intrigues against the parliament of I. Plyushch and the government of L. Kuchma, or foreign trips to exotic countries such as Tunisia. He shrank from economic reforms like the devil from incense, camouflaging his incompetence and indecision by ambition and the creation of numerous superstructural organs and commissions such as the state дума (we did have such!). Being a president of Ukraine elected by a popular vote, he never once took advantage of it in the greater scheme of things, for example, in relations with Russia; he did not, say, speak on the Ostankino channel clarifying the position of Ukraine concerning the Crimea, the Black Sea Fleet, the energy resource situation, etc. The same was the case in regard to the conceptual issues of life within the country: He lacked persistence and initiative in having a new Constitution passed and in forming the Constitutional Court. His shortsighted, "head-in-the-sand" policy in the Crimea and his betting on N. Bagrov, who abysmally lost the election, just like his patron in Kiev, became a complete political fiasco.

L. Kravchuk's team conducted the election campaign languidly, in a slipshod manner, as it relied on nomenklatura-bureaucratic methods and showily polished presentations in the state mass media, which were reminiscent of the olden times of Brezhnev and Shcherbitskiy. Actually, L. Kravchuk is a child and a product of that era.

During his presidency, he not only failed to create a political party or movement on which he could draw in the preelection struggle, but also failed to make a determination as to which of the existing parties to favor. As a result, he was left alone together with the idea of statehood for its own sake. This was where a tragedy occurred: The idea had already been compromised many times over, and by L. Kravchuk himself virtually more than by anyone else.

There was another subjective aspect. In the course of the election campaign, the appearance of a smartly clothed, well-fed, happy, and smiling person wearing expensive suits and ties who elaborated at length upon some kind of abstract notions against the background of an economy that was falling apart and the beggarly life of a majority of the people was, to put it mildly, surprising during meetings or TV broadcasts. No matter where L. Kravchuk went, he met exclusively with the bosses. Also, he was accompanied by a large retinue and motorcade. Doors were painted in advance, slogans were drawn in a hurry, and rains washed off the paint that had not yet dried. They say that in one of the rayons, a carpet was rolled out over a dirt road in order to conceal pits and bumps.

Leonid Kuchma's team played up contrasts. There was a man wronged by the powers that be, a man who had wanted to do something for the benefit of Ukraine, but had not been allowed to. Objectively, the instrumentation of L. Kuchma and his support group was not great. They turned his drawbacks into his virtues. They took into consideration the mentality of the Ukrainian people, an overwhelming majority of whom were ready to give the shirt off their backs without a second thought in order to help those humiliated and insulted. Valeriy Pustovoytenko, chief of the electoral campaign staff of the current president, believes the ability of Leonid Kuchma to communicate with the common people, with voters to be the main component of his success. Unlike L. Kravchuk, he did not seclude himself with the leadership or the "aktiv" selected in advance, but went to the people and talked to them intelligibly and honestly. This was impressive.

Actually, many things became clear as early as the first round, but the Central Electoral Commission, which was faithful to Kravchuk, kept fiddling with the votes in an effort to "save the face" of the father of the nation. Kravchuk could win either in the first round because of vote tampering or never because his reserves for the growth of the electorate were depleted; whereas Leonid Kuchma had no dearth of such reserves.

**WHAT NEXT?** What next in a situation whereby Ukraine has split on the ratio of 53:47? There are several conceptual issues in the resolution of which the new president should make a determination in principle and display firmness, decisiveness, and persistence once and for all, taking the

existing reality into consideration. These are the issues of mutual relations with the Supreme Council, the Cabinet of Ministers, our territories, and Russia as our closest and most significant partner. Not one of the issues is regulated by legislation in effect as far as the separation of the functions and powers of the president and other branches of power is concerned. If one acts timidly and indecisively, like Kravchuk, he may end up in political isolation and actually become a president of Bankovskaya Street, and then not the entire street, whose powers do not extend beyond the presidential palace. If one stands his "ground" picking a conflict with the parliament and the Cabinet of Ministers, it is not ruled out that the latter, operating in tandem, will block all subsequent edicts and decisions. A third scenario must be sought.

Indisputably, the situation is aggravated because the current Communist majority of the Supreme Council succeeded (to be sure, with numerous violations of the rules of procedure and legislation) to place "its own" people in key positions, including those of speaker and prime minister. Finding themselves hostages of the left-wing political forces, they must now return favors conscientiously, rather than out of fear. In essence, a voting machine has been started up in the parliament that cranks out decisions advantageous to the Communists and blocks all others.

Vitaliy Masol was confirmed in his position two weeks before the presidential election by the already mentioned parliamentary majority upon nomination by the then President L. Kravchuk (?). They say that he is an ideal prime minister for the era of distributive socialism. Incidentally, this provides an answer to the question of what the Bolsheviks from the parliament, who are now trying to block privatization and other reforms, intend to build after all. New deputy prime ministers were confirmed by L. Kravchuk's edicts, this time upon nominations by V. Masol.

One appointment that caused furor in the community of intellectuals, and also in the diplomatic circles, should be discussed in particular. At issue is SBU chief Ye.K. Marchuk who has now become a deputy prime minister and the overseer of enforcement ministries. As is known, this is the prerogative of the president of the state. L. Kravchuk and V. Masol acted in a most far-sighted manner in introducing a new position and appointing "their own" man because now, after the loss in the election, Kuchma's leeway turned out to be quite narrow in influencing enforcement ministries under a "living" deputy prime minister. The appointment by the Supreme Council of a new SBU chief, Valeriy Malikov, who was Yevgeniy Marchuk's first deputy, upon L. Kravchuk's (?) nomination cannot be viewed as anything but taunting of the popularly elected president. Technically, a "weighty" argument was used: L. Kuchma had not been inaugurated yet. Therefore, the A. Moroz-V. Masol tandem (let us recall that both are the political hostages of the Communist forces in the parliament and those who stand behind them) have penned in the president with flags beyond which he is ill-advised to go, robbing him substantially of the freedom of maneuver and forming the government virtually without the president's participation.

Besides, using the inexperience of L. Kuchma and the like-minded people in weaving intrigues, creating insinuations, and generating all manner of rumors and misinformation, the true movers and shakers who became old hands at such spectacles as early as in the puppet theater of V. Shcherbitskiy will try for all they are worth to compromise the new president beginning with his very first steps. For example, they may give in to the secondary demands of L. Kuchma with regard to this or that figure in the Cabinet of Ministers—this is no longer critical for them; they have formed the majority. In return, there will be a more serious concession on L. Kuchma's part, and so on. We are aware of the names of those who stand behind the Communist faction and direct all their activities. Time will come, and we will publicize them.

**THREE SCENARIOS** for the development of events in Ukraine in the immediate future are possible. Let us consider them from the point of view of the greatest likelihood.

*First.* Having formed the Cabinet of Ministers without the participation of the new president, destroyed the existing vertical chain of command locally and transformed it into councils, that is, having bound Kuchma hand and foot, actually isolating and fencing him off from the machinery of power and depriving him of an opportunity to carry out reforms, the parliamentary majority will begin to persistently and consistently discredit the president in the eyes of the people. The majority itself will score points by eloquently advocating social justice, protection, free health care, equal opportunity, etc. A few condemnatory trials will "rumble" on the initiative of the majority—the "Blasko case," the settling of scores over oil; a number of middle-echelon officials will be tried and sacked. Time will tell whether the Bolsheviks will succeed in deceiving the people yet again. Their main trump card is found in taking maximum advantage of the forthcoming, very complex difficulties for Ukraine in the fall and winter, which will be associated both with the crop failure and foodstuffs shortage, and the energy crisis (which is much more dangerous). It is at that point that the introduction of ration cards—the favorite measure of the Communists—for example, for bread and sugar will be preceded by a political action to abolish the institution of the presidency in Ukraine as such. At issue is the implementation of the pivotal provision in the Communist Party program. Ukraine will become a parliamentary republic and will be set back to the beginning of the 1980's. All power will devolve on the speaker and the Communist faction in the Supreme Council, and on local councils in the regions.

*Second.* It envisions the revanche of the now defeated old nomenclatura, which will most likely find a haven in some kind of a hastily established structure, for example, a Kravchuk Foundation to which the available funds, equipment, personnel, and so on will be "funneled." Acting in a secret collusion with the parliamentary majority and the Cabinet of Ministers, they will seek to discredit the president and play up his mistakes. Large-scale provocations are possible. The return of L. Kravchuk to the presidency may occur by way of an appeal to the people and the parliament,



"at the request of the working people." In the process, past credits will be stressed in particular. An election may not necessarily be held. This scenario, which frankly seemed the least likely to us, suddenly began to develop quite realistic features following L. Kravchuk's statement that he will remain [active] in politics and the broadcasting of the program "Bez Protokola," all episodes of which "drove home" the same point: The "father of the nation" will come back yet; you are writing him off too soon. In addition to everything else, L. Kravchuk's revanche is fraught with unforeseen consequences and shocks and a breakup of the state.

*Third scenario* of the development of events. However, a little digression first. After L. Kravchuk's political fiasco, many people have called the editorial office to inquire about how the position of NEZAVISIMOST will change. Just like before, the newspaper will remain in unswerving opposition to the Communist parliamentary majority of A. Moroz, which is directly tied to the V. Masol government. The Red-and-Brownshirt revanche in Ukraine cannot be allowed to occur.

We are prepared to support Leonid Kuchma if he displays persistence and decisiveness in his relationship with the Supreme Council and the Cabinet of Ministers and in concentrating executive authority in the hands of the president, insists on the formation of his own vertical executive chain of command and the replacement of the compromised "cadres" of L. Kravchuk, resolutely "reshuffles" the Cabinet of Ministers and other power structures, and replaces the leadership of Ukrainian Television—perhaps the most corrupt structure in Ukraine. The people will support L. Kuchma in his efforts to reinforce economic relations with other CIS countries, to combat the mafia, corruption, and crime, and to prevent an economic catastrophe. Undoubtedly, the president understands that otherwise he will be simply removed from the levers of power, and he will have to say once again that his powers are not sufficient. It is known how this ended during his premiership. What path is Ukraine destined to take? Nobody knows at present. Having voted against the candidacy of L. Kravchuk and elected a new president, the people spoke out in favor of changes. The question is whether they will be successfully implemented this time.

#### East-West Electoral Split Analyzed

944K1872.1 Lvov POST-POSTUP in Ukrainian No. 24, 14-20 July 94 p. 41

[Article by Maryana Chorna, Lviv: "The Straw Bullock Has Found Himself a Master"]

[Text] Well, gentlemen, we've arrived. We have president No. 2. Everything is just the same as it was in 1990—so much so that a sentimental moisture stings the eyes. Everything has again become simple and clear—here are WE on this side, and there are THEY on the other. There THEY are, along with Mr. Kuchma—all those who crowned him. Red, reddish, pink, and milky pink. The same her majesty CPSU nomenklatura of all levels and ranks, vigorous, tenacious, and indestructible. Three years ago we saw the

tips of its horns peeping out from behind president No. 1. Now its hooves are sticking out from behind president No. 2. The leaders change, but the nomenklatura is eternal. And if anyone thinks that something extraordinary has occurred in Ukraine, he is mistaken. A simple oblast party committee coup of domestic proportions. The secretary of the party committee of the Pivdenmash Association ousted the first secretary of the Central Committee in charge of ideology from office. That's all that happened.

Reforms in the Kuchma era, judging by his team (the Leninists Zadoya and Bodelan, the nouveaux riches Hurvits and Balashov, etc.), will be just like the reforms in the era of Kravchuk. There will, however, be "nuances." Leonid Makarovych [Kravchuk] coddled mostly farmers and pensioners with credits and social safeguards. Leonid Danylovych [Kuchma] will deluge his friends from the defense, metallurgical, and machine-building industries with inflationary paper. Consequently, production will not decline. But whether anyone has any use for the fruits of this production is a question that was and is of no concern to either president No. 1 or president No. 2.

What will happen? We will have a painfully familiar situation. First the store shelves will grow empty, then the miners will strike, and then the square will once again be aswirl with pickets, demonstrations, and protest marches. Such a familiar and well-known scene. By tradition, the "reforms" will be hardest on Eastern and Southern Ukraine, where the industrial urban giants will again suck their paw instead of eating breakfast. And what about Russia?—the reader will ask. What about Russia? The paradox is that Russia needs us as much as she needs a pain in the back. The invasion of the ruble zone by Belarus dealt such a blow to the soft belly of the ruble that even Chernomyrdin cried out. If Ukraine with her 52 million people and her unique economic ruin also invades the ruble zone, Yeltsin's government will fall at most within a week. Moreover, on the eve of Russia's presidential election, Leonid Danylovych will bring the older sister a fabulous dowry—a million and a half Ukrainian Bolsheviks and the enraged Galicians as an added bonus. In addition, Kuchma is a friend of Mr. Volsky, who is "no friend of Yeltsin's." And so we will have what we've already had. A cheap trade in fuel, endless fruitless talks, and petty squabbling. While Leonid Makarovych flirted with Moscow, Leonid Danylovych will propose marriage. With identical results for both.

What about US? What will WE do? To begin with, we have to understand why THEY, led by Kuchma, have once again beaten and deceived us as they had in 1991. This happened because THEY play at deception. Back then, they hid behind Mr. Kravchuk, who skillfully intoned the words he had borrowed from us—State, Nation, Freedom. He professed in words what WE genuinely believed. Meanwhile, THEY continued doing what they had always done. When things grew worse and worse, they blamed us. While WE, entranced by the presidential show window, marked time, moving from "selective support" to "constructive opposition." Through the blue-and-yellow fog, we failed to see the red pit into which we were falling. We failed to see that the

majority of our people are neither Ukrainians, nor "Jews," nor "Moskali" [a derogatory term for Russians], but mere and simple creatures of the Soviet system [sovky], who cannot live without a master, without his favor and his whip. We failed to see that it is impossible to free the crippled human spirit from the web of the nomenklatura's Soviet Oedipus complex with an embroidered shirt, or a traditional puppet theater [vertep], or a brochure with a candied version of Ukrainian history. First the multitude must split into millions of "individuals" who learn to live on their own, relying on their own heads and their own hands. And the STATE must no longer be associated with the moist and dark maternal womb in which 52 million embryos exist without having to think. THEY cunningly stuck a pacifier of pseudo-rebirth into our mouths and allowed us to play with the toys of language and songs to stop us from raising a ruckus and awakening the rest of the embryos from their deep sleep. And so WE fell silent, lulled by Kravchuk's cud, and ourselves began to repeat the magic word STATE as if under a spell. While we slept, the easterners, whom God granted a different history, spat out the blue-and-yellow pacifier and began to wail again because their stomachs were empty. And so they were given Kuchma as the new nurse, and he will try to silence them with a new pseudo-Russian pacifier. Nothing will come of this, of course, because a pacifier is just that—a pacifier. It cannot allay hunger.

The situation is bad, but there is a good side to it. Now, under president No. 2 we have a chance. Today, THEY are no longer faceless and no longer hide under the masks of "democracy" and "Ukraine." THEY are now known by their true names—Russified "khokhly" [a derogatory term for Ukrainians] plus communists, or Kuchma plus Moroz.

We are no longer burdened by the baggage of president No. 1, which was heavy to carry but a pity to leave behind. Taught by experience, we now know that it is not possible to build any kind of independence and any kind of rebirth by following the nomenklatura's recipes. WE are back in the trenches. But this time we are all in the trenches together. Those in the West who keep repeating: economic reform, a rule-of-law state, a civil society, and national rebirth. And those in the East, who repeat the same thing word for word only without the phrase "national rebirth." The same boulder of president No. 2 looms over both them and us. And friendships made in shared trenches serve to unite people. Thus president No. 2 is fated to unite the right and left banks of Ukraine on the platform of understanding a simple truth—"you can't wash a red dog white!" In the time that we have before the miners, famished by "reforms," come to depose from the throne the "reformer" as they came to depose the "state-builder," we need to get together and write ourselves a new Ukrainian decalogue, in which the individual will be free and this freedom will be protected. And the state will no longer be a system of the the carrot and the stick, but a social contract between 52 million citizens, Ukrainian citizens (without any Banderas and "Moskali," easterners and westerners, who have concluded this contract voluntarily and deliberately to meet their own needs and the needs of their children.

The masque is drawing to a close. Now everyone is his real self. We have president No. 2, whom we earned through our own stupidity. The easterners earned him with their eternal passivity and laziness, which prevent them from distinguishing a fable from reality. Western Ukrainians earned him because of their damaging habit of regarding themselves as the salt of Ukraine's earth and endlessly prattling on about national feelings.

Despite this, we all need him. President Leonid Kuchma. Just as a patient needs bitter medicine. Without him, it would take us many more years to cure ourselves of the terrible disease that affects all those of us who live in Ukraine and speak different languages. From the disease that is known as the "Homo Sovieticus [sovok] syndrome" Until we cure ourselves of this ailment, we will not be mature enough to elect president No. 3. Not a "reformer," not a "state-builder," but simply the leader of a European state.

#### Donetsk Chairman Seen With National Ambitions

94P50172A Lvov POST-POSTUP in Ukrainian No 25, 21-27 Jul 94 p A4

[Article by Oleksandr Savitskyy: "The Chairman of the Donetsk Oblast Council Smells the Scent of the Mariyinsky Palace In the Air"]

[Text] As it became known from sources close to Volodymyr Shcherban, the newly elected chairman of the Donetsk Oblast Council, he has his eye on the presidential chair in the future. That, at least, will restrain him from extreme separatism.

Although, only microparties such as the GKU [Civic Congress of Ukraine] or Intermovement discuss separatism on a serious level in the Donetsk region. The frenzied devotion to brotherly embraces with Russia was a banal preelection stup position for the local people's representatives, for once having won election, they all suddenly have taken a pro-state position—from Shcherban to Zvyahilskyy. Observers noted a certain agitation at Kuchma's victory in the position of Volodymyr Shcherban's followers, as he was wary of expressing his sympathy to either of the Leonids. Today the governor's team assumed the expected position toward Kuchma.

The first session of the new oblast council was called perfunctory by journalists. It convened on Saturday and lasted only 50 minutes. The most touching moments were the "farewell" [in Russian] speeches of the former oblast chairman Vadim Chuprun and the Communist people's deputy Moyseyenko, but the deputies just let it go in one ear and out the other. The introductory speech of the new oblast governor attracted a lot more attention.

According to rumors, Volodymyr Shcherban intends to significantly cut the administrative apparatus, from 400 to 200 persons. Not without his encouragement, entirely new people entered the oblast council working groups, who will form lists of the controlling organs without displaying special piety towards the nomenklatura dynasties on the oblast level. Observers are inclined to view all this as

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preventative measures on the part of Volodymyr Shcherban against the potential resistance of directors, who will make up the largest and most powerful group in the new oblast council.

The new master of the Donetsk region has smelled the scent of the beginning of a new era in the political development of Ukraine. According to the laws of elementary logic, the lack of brilliant personalities in Kiev encourages their development on the local level. Probably that apanage prince who will be capable of introducing the most effective, primarily economic, policy will easily win the sympathy of all Ukraine, and of course, will sit on the Kiev throne. The calculations of the Shcherban team are more or less based on those ideas. The program is supposedly simple: first build paradise in your own backyard, then demonstrate it to the entire Ukraine. However, hungry miners, red directors and unyielding Communists, many of whom are joining together in the Donbass, may block these ambitious plans, or bring the governor into their camp.

#### **Crimean Tatars Aim for National Government**

944K1994A Simferopol KRYMSKAYA PRAVDA  
in Russian 2 Aug 94 p 1

[Unattributed report: "Leaders of the Crimean Tatars Aspire to Acquisition of Statehood"]

[Text] The Crimean Tatars will endeavor to acquire their own statehood, Eredzhep Khayredinov, leader of the Crimean Tatar National Movement Organization (OKND), declared.

Speaking on Saturday in Simferopol at the OKND workshop "Problems of the Statehood of the Crimean Tatars," he emphasized that "the main goal confronting the Crimean Tatars is the building of their national state."

In his opinion, "the Republic of Crimea is by no means a form of statehood of the Crimean Tatar people." We would be nearer to statehood were "the Crimean Tatar faction in the Supreme Council of Crimea to have a right of veto on the main constitutional issues," E. Khayredinov believes.

At the present time, he observed, the Crimean Tatar faction has merely the right of legislative initiative, which "is almost wholly nullified by the simple arithmetical majority in the Crimean parliament."

At the same time, on the other hand, Refat Chubarov, deputy chairman of the more influential organization of Crimean Tatars—the Majlis of the Crimean Tatar People—said in an interview with an INTERFAX-UKRAINE correspondent that it would not at this time seem possible to restore the statehood of the Crimean Tatars in the form to which many activists of the national movement aspire.

#### **Press Faulted for Political Bias**

944K1868A Moscow NOVAYA YEZHEDNEVNAYA  
GAZETA in Russian 22 Jul 94 p 2

[Article by Sergey Kiselev, reporting from Kiev: "Ukraine in the Mirror of Its Own Press: Looking Bad"]

[Text] This month the Ukrainian newspapers conspired. Up until 10 July, the date of the second round of the presidential election, virtually all the Kiev publications—some to a greater extent, some less so—amicably participated in the boycott of Leonid Kuchma, while excessively extolling the virtues of Leonid Kravchuk.

"The process of teaching practical management of a state and the mistakes that inevitably result, mistakes which there is simply no time to correct, could come at too high a price, up to and including loss of social peace or undermining of the very state structure," was the complaint aired by Sergey Lisenkov, a professor at the Ukrainian Internal Troops Academy, in the pages of the Cabinet of Ministers newspaper URYADOVIY KURYER on 2 July. His meaning was that Leonid Kravchuk has already learned the practical management of the state and therefore he, in contrast to Leonid Kuchma, is guaranteed not to make mistakes.

"If Ukraine elects Kravchuk, he will demonstrate his firmness, sober attitude and ability to assess the president quite critically while at the same time supporting him at difficult times," wrote Miroslav Popovich, doctor of philosophical sciences, seconding him in the parliamentary newspaper GOLOS UKRAINY on 5 July.

"As for Kuchma," wrote Vitaliy Karpenko, editor-in-chief of VECHERNIY KIYEV and former member of parliament, "people should not vote for him if only because, if one ignores his campaign evasions, he represents pro-Russian interests that are contrary to those of his own people..."

On 6 July the popular Kiev newspaper KIYEVSKIYE VEDOMOSTI carried an article by its editor-in-chief and owner Sergey Kichigin, who for three months used his own publication to publish a servile dialogue in book form with Leonid Kravchuk. "Leonid Danilovich, why should we like you?" Sergey Kichigin inquired of Leonid Kuchma. "You were prime minister for a year, and I cannot recall even one sensible decree you issued. Now you are accusing everyone else of doing the things that you yourself caused back then."

In the same KIYEVSKIYE VEDOMOSTI column journalist Nataliya Ishchenko had even harsher words for presidential candidate Leonid Kuchma: "If I can find a good Ukrainian language textbook I will give you a copy, too, because the president of Ukraine is, without exaggeration, the embodiment of the Ukrainian nation, and is thus obligated to speak the beautiful Ukrainian language. What if you suddenly started speaking Russian with foreigners? The gentlemen from the 'far abroad' might confuse the president of an independent power with the representative of some Russian department..."

The article is entitled "100 Minutes To Argue With the Press," and the subject is how nervous presidential candidate Leonid Kuchma was during his responses to journalists on the television show "100 Minutes With the Press."

Also in regard to that broadcast I would like to quote the editor-in-chief of NEZAVISIMOST, Vladimir Kuleba, whose publication, incidentally, was always in constructive opposition to Leonid Kravchuk and the previous parliament: "Lord, how can one bear this sense of humiliation and

shame for one's colleagues, when during the televised debates on '100 Minutes With the Press' they attack Leonid Kuchma with previously prepared questions and contrived quotes, then the very next day turn around 180 degrees and attribute them to Leonid Kravchuk!"

Ukrainian sociologists were also hard at work on the eve of the second round of voting. On 5 July GOLOS UKRAINY published figures from the Ukrainian Academy of Sciences Center for Information Issues claiming that on 10 July 51.1 percent of the voters would choose Leonid Kravchuk, while 42.7 percent would vote for Leonid Kuchma.

On 8 July KIYEVSKIYE VEDOMOSTI presented a joint study done by the Institute of Sociology and the Department of Sociology at the Kiev-Mogilyan Academy, a national university, according to which Leonid Kravchuk would get between 61 and 67 percent of the vote in the second round, with Leonid Kuchma winning 44 percent.

The same day, 8 July, the newspaper MOLOD UKRAINY published a commentary by Petr Zhuk, director of the so-called "Center for Information Issues in the Territories of Ukraine," entitled "Leonid Kravchuk's Chances Continue To Improve." In this article he claimed that Leonid Makarovich [Kravchuk] would win the support of 52.8 percent of voters, while Leonid Danilovich [Kuchma] would get only 40.1 percent. Incidentally, according to a claim in the weekly political review published by the UNIAN information agency on 18 July, this is a "sociological center" that does not have single professional scientist on staff and mainly engaged in the fabrication of public opinion polls during the presidential election campaign.

However, immediately after the election results were made public the papers instantly forgot the negative things they had recently been saying about the future president. And even though by force of inertia they continued to print edicts on the resignation of vice-prime ministers that had previously been signed by President Leonid Kravchuk, and even though he still appeared in his role as head of state when he expressed his condolences to the North Korean people in the newspapers upon the death of his favorite leader, Kim Il-Sung, the tone used by Ukrainian newspapers when referring to Leonid Kuchma began to change markedly.

A typical example: whereas on 7 July the headline of PRAVDA UKRAINY read "Kravchuk—Our Best Chance!," by 14 July the front page read: "We Wish You Success, Leonid Danilovich!" The same issue contained an article entitled "Evacuation of 11 Bankovskaya Street," which related, not without some sarcasm directed at the former president and his apparatus, how upon learning of the second-round election results at 6:00 am Monday Leonid Kravchuk did not come to work, and how his subordinates, on orders from the new president's team, began evacuating their lock, stock and barrel from their offices at 11 Bankovskaya Street, the location of the presidential office in the former Ukrainian CP Central Committee building. "On Tuesday," the article continued, "Leonid Kravchuk arrived at his office. He called all his staff together. His monologue was brief. 'I did not lose,' he said, 'we lost.'"

In its 14 July issue URYADOVIY KURYER showered compliments on Leonid Kuchma's team, reporting that it contained 11 candidates and doctors of sciences with an average age under 40 and listing practically every one of them by name.

On 15 July Olga Musafirova, a KOMSOMOLSKAYA PRAVDA staff correspondent in Kiev, published a humorous article about Kravchuk's toadies in NEZAVISIMOST. Among other things, it mentioned Valentin Chemeris, a Ukrainian Writers' Union member who in March published an essay/novella entitled "The President." In that essay he had very disrespectful things to say about Leonid Kuchma, but with regard to Leonid Kravchuk this was his tone, and I quote: "Once outside the city, when you hit the highway, there comes a sigh of relief, and somewhere subconsciously, like a prayer, the thought flashes through your mind: 'Lord, let nothing happen to Ukraine this night at least.'" End of quote. "My God, a very timely book," wrote Olga Musafirova in the conclusion of her article.

Thus far the most intelligence position on the ex-president of Ukraine is that taken by President Bill Clinton, who sent Leonid Kravchuk a letter. It was published in DEMOKRATICHNA UKRAINA on 16 July, and opens with these words: "I am writing to express my warmest regards upon the completion of your term as the first democratically elected president of Ukraine." End of quote.

## ECONOMIC AFFAIRS

### Low-Quality Coal Processed Into Gasoline

944K1902A Donetsk VECHERNIY DONETSK  
in Russian 26 Jul 94 p 1

[Article by UKRINFORM correspondents B. Gertsenov and M. Kononenko under the rubric "Science and Production": "The Method Is Available. Gasoline Is Next Up"]

[Text] Ukraine is developing its own technologies for processing coal and producing gasoline from it.

Coal from which they want to produce liquid fuel for cars, tractors, and even planes must travel a long path from the stope to the engine. This path is known in several countries of the world, for example Germany, where gasoline was produced from solid fuel as early as the 1930's, and the Republic of South Africa, which processes approximately 33 million tonnes of minerals a year.

A method for producing motor fuel from low-grade Ukrainian coal has been developed by scientists from the Institute of Physical-Organic Chemistry and Coal Chemistry of the National Academy of Sciences.

This development has been underway for decades. This lengthy period of time is due to the fact that, first, Ukraine did not experience a shortage of motor fuel, which was delivered at low prices from Russia and other republics of the USSR. Second, subsidies for such development have been insignificant. For example, the State Committee of Ukraine for the Coal Industry has allocated only 2.5 million karbovantsy for this purpose. Having passed through the



thorns of disorder and financial hardship, they nonetheless succeeded in developing a scientifically substantiated technology for producing gasoline from coal. It calls for processing both brown coal concentrated mainly in the central part of the country (its reserves here come to 10 billion tonnes), as well as coal from the Donetsk Basin, under which more than 100 billion tonnes has been prospected.

In the opinion of scientists, it is preferable to produce gasoline from brown coal. One tonne of organic matter in such coal is capable of yielding up to 300 kilograms of gasoline. The Donetsk Basin coal—gas and candle coal—can yield up to 20 percent of gasoline per tonne.

Fire and high pressure measured in tens of atmospheres—such are the tools with which the combustible rock is turned into a liquid whose composition approximates oil. It is from this base product that motor fuel suitable for injection into an internal combustion engine can be produced, just like from natural oil.

Candidate of Chemical Sciences Vasily Tamko, the project leader, said: "Although a technological pattern for processing several grades of Ukrainian coal has already been developed, it is premature to discuss industrial-scale batches of gasoline. It is necessary to move on from laboratory research to creating experimental industrial installations and subsequently the construction of specialized production facilities. In this instance, the experience of Germany and the Republic of South Africa could be very helpful. Its practical introduction would help Ukraine eliminate its dependence on the delivery of energy resources."

Developers of the new coal-processing technology believe that in the long term the republic could allocate the initial 10 million tonnes of its own coal to produce gasoline as early as the beginning of the third millennium. This would be the beginning of the creation of a fundamentally new coal-processing sector in our country.

#### **VAT on Construction Eased**

944K1967B Donetsk VECHERNIY DONETSK  
in Russian 30 Jul 94 p 1

[Report by UKRINFORM-Department of the Ukrainian Cabinet for Coverage of Government Business: "To Enhance Construction Efficiency"]

[Text] For the efficient use of the resources that are invested in construction the Cabinet of Ministers has exempted from value-added tax the cost of work on the installation of production and nonproduction facilities financed from funds of the state budget and budget loans and also the cost of work on the construction of facilities of housing and the social sphere funded from other sources.

The total of value-added tax paid for services, purchased construction materials, and fuel and equipment used in the construction of the said facilities shall be compensated from the budgets from general revenue.

#### **Donetsk Industrial Production Statistics**

944K1967A Donetsk VECHERNIY DONETSK  
in Russian 30 Jul 94 p 1

[Unattributed report based on material of the oblast Statistical Administration: "Industry in the First Six Months: Situation Remains Complex"]

[Text] The oblast's total industrial production in the first six months of the present year declined almost 35 percent compared with the corresponding period of last year, and in June, 17.5 percent compared with the analogous month of 1993, but relative to May the manufacture of products increased 4 percent. In this connection, we can hardly speak of an improvement in the situation in the industrial sphere. The sale of output was blocked, as before, because of an absence of funds to pay for it. In addition, the slowing of the decline in June compared with the corresponding month of 1993 is explained to a considerable extent by the low base for comparison as a consequence of last year's June strike. Thus coal production in the present June, which amounted to 3.8 million tonnes, was almost 18 percent more than June of 1993, but this is the minimum monthly volume of coal production in recent years (not counting that same strike June). In the six months as a whole less coal was produced than last year in five.

The volume of products of the final process stage is declining to a large extent in the iron and steel industry, which testifies to the reduced efficiency of production. Seventeen percent less coke was produced than in the first six months of last year, the smelting of pig iron and steel declined 32 and 33 percent respectively, and the production of finished rolled products declined 40 percent.

The production of consumer goods is declining even more appreciably than the manufacture of products of heavy industry—by more than 3[second figure indistinct] percent as a whole compared with January-June 1993, including a decline of 33 percent in foodstuffs and 42 percent in nonfood commodities and of 61 percent in light industry commodities. In June the volume of products of light industry in comparable prices declined more than threefold compared with the analogous month of last year.

Although the growth of wholesale prices of industrial products has slowed in recent months, in June they were twice as high on average as in December 1993.

The involuntary idling of the enterprises and the deterioration in their financial position are preventing preservation of the previous numbers of those employed. The numbers of industrial production personnel in the oblast as a whole declined by 66,000 or 7 percent compared with the first six months of last year. This decline is even more appreciable at mechanical engineering and metal-working enterprises (9 percent), in construction materials industry (15 percent), and in light industry (17 percent). That is, enterprises of sectors whose development the economy and society need the most have come to be the most vulnerable in the current situation.

Under the impact of the present trends the sectoral structure of the oblast's industry is becoming increasingly less socially

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oriented. The task, therefore, is not simply to secure the work of industry but to undertake, finally, its structural reorganization.

### **Pyatachenko Operating Style Described**

944K1793A Lvov POST-POSTUP in Ukrainian No 23,  
7-13 Jul 94 p A2

[Article by Hryhoriy Solomakhin, UNIAN, under the rubric "Resignation": "The Unyielding Minister of Finance Has Resigned: While Imitating Finance Management, Hryhoriy Pyatachenko Issued Currency"]

[Text] It is incredible, but it is a fact: The position of the strongest minister in the government, Hryhoriy Pyatachenko, has finally been shaken. We have learned that following a constructive conversation with the prime minister, he is going to resign, after heading the Ministry of Finance in 1991 and courageously surviving all government reshuffling up to this day. For almost three years, the "iron minister" has enjoyed the reputation of a business person who is capable of finding a way out of the most hopeless predicament.

Pyatachenko's secret consisted merely of a system for the cash implementation of the state budget. All receipts of the state budget are credited to the so-called "100th" accounts of banks; at the same time, the banks open the "120th" accounts to finance expenditures. Under the old system, an instruction (budget order) was sent by the Ministry of Finance, which authorized a bank branch to allocate a certain amount of funds to a particular structure financed from the budget. Only the order arrived, not the actual funds, but the bank was forced to pay them. Accounts 120 "functioned" at three banking establishments: the Ukrspotsbank, the Prominvestbank, and the Ukraine Bank.

Under the old system, Accounts 100 were to be opened at the same banks. However, the Ministry of Finance took virtually no interest in whether the funds were available or not; revenues and expenditures were not kept in balance. The main point in the system of budget was to "push it through" the Supreme Council. As soon as the budget was approved, the minister of finance was granted the right to sign budget orders and send them down to banks. The funds did not come because the economy was not functioning, there was a dearth of revenues, but the orders kept coming. The bank issued such funds through emission, ending up with a "red-ink balance." In this manner, expenditures were made without hindrance, whereas revenues came in solely at the end of the year when a loan from the National Bank for the amount of the difference between the funds in Accounts 100 and 120 was processed. Emission by the Ministry of Finance was recognized only on a retroactive basis.

As a matter of fact, two emission centers existed in the state, the legitimate—the National Bank, and the illegitimate—the Ministry of Finance, which put money in circulation through the system of cash implementation. In this manner, the monetary and financial systems were not separated. The minister of finance did not administer revenue, but rather bank credit, which elevated Hryhoriy Pyatachenko to the pedestal of glory. As it were, he performed miracles in front of our eyes. When one prime minister after the other threw

up their hands and lamented the absence of funds, it was heard from the minister of finance that there were such funds, and they were found indeed. Hryhoriy Pyatachenko had marvelously mastered the Soviet system of budget implementation and adapted it to new conditions.

In addition, the minister managed to shroud the success of his operations in such secrecy that not even all of his deputies, to say nothing of the deputy prime minister and people's deputies, guessed how state funds were found. In all states, the budgetary process is strictly controlled by the parliament, which looks after each item of the use of funds. In our country, the Ministry of Finance allocated money, but nobody except the ministry knew to whom. We recall that Ivan Plyushch managed to have the 1992 budget adopted within five minutes. Last year's budget was passed in a similar manner. Nobody took a serious interest in its implementation, whereas the parliament has a duty to review the implementation of each item with substantiation as to why the available resources were granted in this way, and not in that way. Only the volume of the approved budget was limited, which was easily adjusted for the new cycle of inflation that had been caused by the system of budget implementation to begin with.

The budget was drawn up in a pro forma manner, accountant-style. If there was not enough revenue, a new tax or fee was plucked from the air; its actual receipt was of no interest to anyone. New items of fantastic revenues appeared in the 1992 and 1993 budgets just so that expenditures could be made. The main point for the minister was to hack out the right to sign budget orders. The budget process as that of accumulating revenues and keeping them in balance with expenditures did not occur.

A presidential edict on a new system of the cash implementation of the budget was issued toward the end of 1993 at the hand of Mykola Syvulskyy, the first deputy minister of finance at that time. The new system marked the beginning of decay in the glory of the financial market. To successfully kill the novelty, Hryhoriy Pyatachenko dismissed Chief of the Administration for Cash Implementation of the Budget Dmytriiev—the only specialist in this area of finance in the ministry, charging the originator of the edict, Syvulskyy, with carrying it out. However, through a joint effort with National Bank employees, Mykola Syvulskyy did set the new mechanism in motion; thereafter, he was forced to submit his letter of resignation. His system was based on tying expenditures to the real revenues of the budget. In keeping with the edict, budgetary funds from Accounts 100 at the rayon branches of banks are "sent up" to the oblast branches of the National Bank of Ukraine and are credited to Account 100 of the Ministry of Finance at the Main Operations Directorate of the National Bank of Ukraine. From there, the funds are transferred to the account of the general credit administrators—the ministry. They "dis-pense" the funds through the system of commercial banks "on down" to Accounts 120, in which real funds appear in this manner.

A considerable proportion of "dead" revenues disappeared under the new system, although "payment for the transit of

Russian gas" remains among the items of the 1994 budget. Due to a decision of Yuhym Zvyahilsky, the state will never receive this payment ("it was used 'toward' reducing gas prices"). Items of revenues due to privatization and exports are likewise dead.

Therefore, Pyatachenko's star in the financial sky fell once the new system of cash implementation was introduced. It came out that he should manage finance rather than credit, and distribute rather than engage in emission. It became clear that under such circumstances the minister of finance has lost his ability to find the needed funds. To this day, the Ministry of Finance does not have a revenue department that would work on a revenue strategy, tracking the process of taking in budget funds on a daily basis. This was not needed under the old system. They worked on revenues only toward the end of the fourth quarter; during the year, the ministry dealt only with expenditures. However, to this day the Ministry of Finance does not pursue a macroeconomic policy and does not even project the consequences of introducing a particular tax.

Therefore, according to our information, personnel changes that are expected in the Ministry of Finance will be also accompanied by a profound organizational restructuring, which specialists believe has long been overdue.

#### **Moroz Economic Concept Criticized**

944K1794A Kiev MOLOD UKRAYINY in Ukrainian  
12 Jul 94 p 2

[Interview with Oleh Soskin, deputy director of the Institute of the World Economy and International Relations, National Academy of Sciences of Ukraine, by Olena Hubina, under the rubric "Interview of Current Interest"; place and date not given: "We Have Been Living According to the Socialist Party Program for Two Years Now"]

[Text] Writing in our newspaper, Oleh Soskin, deputy director of the Institute of the World Economy and International Relations, National Academy of Sciences of Ukraine, discussed two peaks in the outbursts of social activity in our state which have been characteristic in recent years. Major changes occur in the fall; it is precisely at that time that we say goodbye to the old government and get a new one. However, a "dress rehearsal" occurs in May and June. All of us remember major miners' strikes that also caused a fever in the structure of executive powers.

However, this year they began to form the new government in summer. At the same time, Chairman of the Supreme Council Oleksandr Moroz announced at the session the Main Principles and Directions for the Assertion of the Ukrainian Economy During the Crisis Period. What could the consequences of this "shift in the cycle" be? Is the shift associated with the "leftward" shift in the upper echelon of power? We touched on these questions in a conversation with Oleh Soskin.

[Hubina] Oleh Ihorevych, recently a great number of assorted economic programs have appeared in Ukraine. However, a program of the Socialists and Communists was

not one of them. Are other programs that have appeared somewhat new, or are they old?

[Soskin] That the speaker submitted the Main Directions to the parliament is an unprecedented phenomenon. As it is, this is almost a textual coincidence with such titles as came up in the times of the Soviet Union when the main directions for the development of the economy for a five-year plan were discussed at party congresses. At present, we are certainly making a transition to a new stage of five-year plans, or four-year plans, depending on how long the parliament will operate.

[Hubina] However, the "Main Directions" were previously discussed at party congresses, whereas here we have a Supreme Council, after all....

[Soskin] There is now a tendency to transform our Supreme Council into a party forum. However, just one party is represented at a party forum. Therefore, it is possible to say that the transformation of the Supreme Council into a party forum that will have to make unanimous decisions has been initiated. However, this is impossible. After Moroz announced his program, Yuhnovskyy presented the program of the Statehood faction, Chornovil—the program of the Rukh faction, and Pynzenyk—that from the Reforms. The Main Principles were approved only by a portion of deputies. We are facing a split in our society on account of adopting a uniform economic platform.

[Hubina] When Moroz was talking, it was possible to see that many deputies were not listening to him at all. However, later they approved a decree in support of the Main Directions.

[Soskin] Do you remember Orwell's novels? Actually, we are beginning to operate through methods that are described in them, whereby while you think one thing, another appears to you, and you act in a still different way. In this manner, we can transform into a state in which the Ministry of Peace and the Ministry of Truth exist, and where an attempt is made to dictate thinking, and this is passed off as a benefit to the people.

[Hubina] An overwhelming majority of countries in the world live by the laws of a market economy. That is to say that they have a stronger philosophy.

[Soskin] Almost all countries live by these laws. Cuba and South Korea are the exceptions. Ukraine continuously wants to return to the times of a totalitarian economy, and the Main Directions are aimed at that.

[Hubina] As early as the first paragraph, they call for "reinforcing the control of the Ukrainian economy by the state."

[Soskin] How can the state reinforce its control over the economy? There is no way. The state does not have the right to interfere with the economy and be a party to relationships in production. Meanwhile, it is such a party in Ukraine because it is the leading subject of property, state property. However, it is not some kind of abstract state that governs. The state is governed by the people, and well-known people at that. It is the Cabinet of Ministers, which has lasted for

many decades now. I mean its staff, the middle echelon. It manages state property in order to appropriate the added product that is generated at state enterprises. This is what the thesis about "reinforcing the control of the economy" means. Who will do it? In this case, it may be understood that communists and socialists will.

However, in order to manage, one needs to know what to manage. At present, there are almost 200,000 entrepreneurial entities in Ukraine. Perhaps 15 million managers need to be appointed to manage all of them. In this case, one segment of society would control and manage, and the other would generate added product. This will never happen, because those who can produce will then discontinue such work. Who will be there to manage, then?

[Hubina] The leftists won the election to the parliament by saying that they know how to overcome the difficult situation that exists in the country. Is it really so?

[Soskin] As early as 18 June 1992, Moroz, at the time the chairman of the SPU [Socialist Party of Ukraine] Political Council, signed the Anticrisis Economic Program of the Socialist Party. It was distributed to all government structures and became known to an extensive stratum of the middle management echelon. I can state with the full weight of responsibility that this is precisely the program that is now being carried out. Kravchuk's recent decrees "On Urgent Measures To Comply With Legislative Requirements in the Trade Sector and on Reinforcing the Struggle Against Corruption," and "On Urgent Measures To Repatriate Foreign-Exchange Valuables to Ukraine" can be viewed entirely in the context of this program.

[Hubina] However, in this case the Socialists might say that life itself has necessitated the adoption of their proposals, that they were simply on the surface.

[Soskin] Where on the surface, and for whom? So far, the underclass groups have been growing in Ukraine rather than the strata of the population that knows how to work and grow rich. Decisions of this kind serve the underclass philosophy. However, it is now time to change the philosophy. A market philosophy results in the creation of an extensive group of owners, of rich people.

[Hubina] Which particular principles of the Socialist program have been implemented in our country recently?

[Soskin] For example, the program says: "State monopoly on foreign trade in staple goods and raw-material resources shall be established." Such a monopoly has already been established in our country.

Or this one: "The licensing procedure for the state registration of parties to foreign-economic operations shall be continued." The decree on the withdrawal of foreign exchange is specifically aimed at this. One will no longer be able to get the right to foreign-economic operations without declarations. This is a restriction and violation of the law on foreign-economic operations.

The program suggested that "a single marketable reserve of foodstuffs and basic necessities at fixed prices shall be established as a compulsory minimum for the entire stock of

merchandise. To this end, an immediate inventory shall be taken of the available foodstuffs resources, basic necessities, raw materials, fuel, and motor fuel and lubricants." The president's edict on restoring order in trade furthers the development of this program precisely.

[Hubina] Possibly, for Kravchuk such a position is due to the fact that he bet everything on the election campaign.

[Soskin] As far as I understand, the Bolshevik nomenklatura was bringing extreme pressure to bear on President Kravchuk, and he could not resist it. Therefore, he began to look for his electorate among the underclass. This was no longer a game in his territory but rather in that of the Communist-Socialists, and there was nothing to be won there. It would suffice to look at public opinion surveys. At present, more than 60 percent of the population support private property.

[Hubina] The programs of the left-wing forces are dangerous in that they try to implement them. To your mind, will Vitaliy Masol implement the Socialist program?

[Soskin] I think that Masol has a chance. He is an intelligent and experienced person. Fokin had a chance, and so did Kuchma. Each person who holds the post of prime minister and assumes responsibility for the levers of executive power can choose the correct path. One way is to attempt to restore the old system of Bolshevik socialism. Fokin took that path, and unfortunately Kuchma strayed onto it at the second stage of leading the Cabinet of Ministers. The staff whom he did not replace led him astray. There is another path: to begin reforms, after all. At present, there are none. I stress that both yesterday and the day before yesterday, the Socialist Party program was being carried out in Ukraine. It was this program that brought about the mess. It is absurd to say that this was a result of some kind of market transformations.

At present, everything depends on the kind of team that Masol will put together. If these are professionals with a radical market-oriented thinking, he will win this game, and last not only through the fall but at the very least for two years. If he does not do this, the president must understand that social tension in Ukraine will peak again in October and November. The peak will be greatly exacerbated, because the events in Crimea will be superimposed on it. In this case, the current government will last at best until December.

[Hubina] My last question. Will we be able to make a transition to market-oriented reforms without a strong shock?

[Soskin] We are in a state of shock because for two years now we have been accomplishing economic transformations according to the Socialist program. It is an emergency program. As far as market-oriented transformations are concerned, they should not be implemented through shock methods. This is the normal, natural condition of society.

#### **Tatars Seize Homes in Yalta**

944K1922B Simferopol KRYMSKAYA GAZETA  
in Russian 27 Jul 94 p 1

[Article by the press center of the Yalta police department, under the rubric "We Are Following Events": "Homes Freed" ]



[Text] Although this newspaper has regularly informed readers about the events that have been developing, we will recall them once again. On the night between 4 and 5 June a group of Crimean Tatars occupied two new houses ready for occupancy in Makarenko Street in Yalta. This in itself was a violation of the spirit of self-government and a violation of Article 198 of the Ukrainian Criminal Code.

Personnel of the Yalta police have now been patrolling these houses for all of a month-and-a-half in order to prevent violations of public order and conflicts between those who have seized the buildings and those who are supposed to occupy them under the law.

The Yalta city procurator, and then the court, issued an eviction order against the Crimean Tatars who had taken the house. Endless negotiations have taken place; both an ad hoc commission and representatives of the various parties and public figures, as well as Yalta's leaders, B.V. Babyuk, Yalta police chief, in particular, took part in them.

As a result, some time ago one of the two houses that had been seized was relinquished voluntarily, but the problem of the second house has remained.

Yesterday the Yalta police were put on alert. An officer of the court and representatives of the city procurator's office visited the seized house. The Crimean Tatars who were there were read for the last time an appeal demanding that they leave the house voluntarily. A categorical refusal ensued, the Crimean Tatars who had seized the apartments threatened explosions and self-immolation.

Force was used to free the house and carry out the decree of the court and procurator's office and to enforce the law. But actually there was no resistance on the part of those who had seized the house, and it all went rather peacefully. Although explosive substances and fuel were actually found in the apartments.

Those who were forcibly evicted from the house were sent to city departments of Yalta and Alupka to establish their identity.

Following the eviction, the house was placed under protection of police personnel.

### Report on Central, Crimean Elections

944K1922A Simferopol KRYMSKAYA GAZETA  
in Russian 27 Jul 94 p 1

[Unattributed article: "Proceedings in the Central Electoral Commission Concerning Election of Ukrainian People's Deputies"]

[Text] During all of Sunday the Central Electoral Commission analyzed and totalled operational data obtained from election districts. The result of this very crucial process was by the end of 24 July: elections were completed in 60 of the 112 districts, which is slightly more than half of the entire number of districts in which elections were held.

Voters were active throughout the day in the districts of Poltava, Rovno, Zaporozhe, and Khmelnytskyi Oblasts, and by the end of the day activity had picked up in Donetsk, Vinnytsa, Chernopol, and Cherkassy Oblasts. In those

regions between 54.6 and 60.7 percent of the voters declared their position as citizens by giving their vote to a particular candidate

The Central Electoral Commission notes that this time the citizens were less active than during the previous election. Its level was low among voters of Kherson, Nikolayev, Kharkov, Sumy, and Odessa Oblasts, where less than half of them voted.

Elections unfortunately did not take place in any of the 18 districts of the city of Kiev.

In Crimea runoff elections for deputies of the Ukrainian Supreme Council were held in 10 districts (not counting Sevastopol). Elections were completed in four districts: Rostov No. 26, Central No. 27, Razdolnensk No. 41, and Krasnogardeysk No. 39.

According to the results of the vote in Krasnogardeysk Election District No. 39, V.I. Yegudin was elected deputy to the Ukrainian Supreme Council.

In three other districts where two candidates received the maximum number of votes, runoff elections will be held. They are scheduled for 7 August.

### Crisis in Nuclear Energy Sector Viewed

944K1820A Kiev DEMOKRATYCHNA UKRAYINA  
in Ukrainian 2 Jul 94 pp 1-2

[Article by Academician Mytrofan Pasichnyk under the rubric "Power Generation": "The Thorny Path of 'Gentle Atom'"]

[Text] The 40th anniversary of commissioning the "first nuclear power station in the world" in the city of Obninsk, Kaluga Oblast, falls during these days. The public of the world responded to this event as a significant step in humanity mastering the mighty nuclear forces and using them to benefit the people. The Bulgarian newspaper OTECHESTVEN FRONT wrote: "Indeed, ours will be a nuclear age because a nuclear power station is in operation rather than because of the existence of nuclear weapons." (As is known, the nuclear age made its presence known by the explosions of American weapons of mass destruction over the Japanese cities of Hiroshima and Nagasaki).

#### I.

Tapping the new sources of energy indicated that the peaceful atom is an inexhaustible source for supplying the people with energy. Confirmed were the concepts of the nuclear age pioneers that nuclear fuel has economic, technical, and technology advantages over the traditional organic sources of energy, which make it possible to expect substantial economic, social, and ecological benefits.

The commissioning of the first nuclear power station removed the shroud of secrecy over nuclear energy research, and international cooperation began. The International Atomic Energy Agency (IAEA) was subsequently created. Ukraine was among the founders of this organization. The IAEA Statute codified incentives for the peaceful use of nuclear energy. The IAEA was subsequently entrusted with monitoring the nonproliferation of nuclear weapons.

As one of the participants in these events who has devoted almost his entire life to developing the foundations of nuclear power generation—nuclear and neutron physics—I have had an opportunity to visit many nuclear centers. For this reason, I will allow myself to publicize my vision of the [role of] present day and immediate future of nuclear power generation in reinforcing the independence of Ukraine and creating conditions for the use of scientific accomplishments in the interest of the people and their material and spiritual prosperity.

At present, 428 reactors operate in 28 countries of the world, which generate 17 percent of electricity. France, in which the proportion of nuclear energy generation in energy supply has reached 78 percent, has become a leader in developing and using nuclear energy. Ukraine ranks 10th on this score.

As they sum up the outcome of the development of nuclear power generation over 40 years, most experts in the world and at scientific establishments come to the conclusion that AES's [nuclear power stations] with light water reactors have proven their economic advantages over the TETS's [heat and electric power stations], that nuclear power generation has come to hold a significant position in the power generation of the world, although not such a position as that on which we counted at the dawn of nuclear power generation.

Two large accidents with the destruction of reactors and the melt down of the fuel core at the Three Mile Island AES (United States, 1979) and the Chernobyl AES (1986) pointed up a lack of preparedness on the part of the nuclear power generation of the world to continue the rapid pace at which it developed in the 1970's and 1980's, and a lack of correspondence between growing requirements and the level of nuclear and radiation safety.

Following the Chernobyl accident, a moratorium on the further construction of the AES's was announced in a number of countries (Italy, the FRG, the Netherlands, Ukraine), as well as the discontinuation of the operation of AES's (Sweden, Ukraine). Orders for reactors almost ceased in the United States where more than 100 power reactors are in operation. Nonetheless, nuclear power generation continued to develop in most countries.

The pace of AES construction is growing in Korea, the DPRK, Japan, and India, which do not have chemical fuel or have insignificant resources of it, as well as in China and Canada.

The operation of RBMK [high-power pressurized tube reactor] reactors continues at the Leningrad, Ignalina, Smolensk, and Kursk AES's.

With a view to overcoming the stagnant condition in nuclear power generation as quickly as possible and ensuring its complete safety, foreign countries have embarked on a joint effort to improve safety and develop new, safe reactors.

## II.

Full energy sufficiency is one of the most important priorities of state independence. Full energy sufficiency becomes particularly significant for Ukraine, which has become sovereign.

A critical situation in power generation has developed in our country as a result of the reduction in commissioning new generating capacity in recent years, the lower pace of upgrading obsolete equipment, small fuel reserves, and the absence at the state level of clear-cut organization of work on scientific-technical progress in this sector in general. Reserves of our own oil and gas have been virtually depleted. A significant dependence on the import of energy resources coming to 70 percent has developed. At the same time, energy resources are imported from just one country (the Russian Federation), which is not in line with modern practices.

According to geological survey data, Ukraine owns significant coal deposits (estimated to be 54 billion tonnes), as well as uranium deposits and still greater thorium fields. Thus, our own steam coal may suffice for 100-200 years, whereas uranium and thorium—for millennia. Meanwhile, an odious situation has developed. A considerable proportion of thermal power stations are idle. The edict of the president on the development of base sectors is not being carried out. Underground explosions and fires occur several times a year because of the high gas content in the Donbass mines and the poor condition of electrical equipment.

Under the circumstances, a transition to modern equipment and intensive development of our own fuel base, the Donetsk Basin, is the main strategic direction for progress in coal-based power generation.

In the mid-1970's, Ukraine was forced to embark on nuclear power generation and to commission almost one reactor a year.

Safety in nuclear power generation should become a priority in state scientific-technical policy. Last year, 33 percent of all energy used in the country was produced at five nuclear power stations using 10 units of the light water VVER-1000 [water-moderated power reactor-1000] reactors, two units of the VVER-440 reactors, and the two operating RBMK units at the Chernobyl AES. In winter months, when thermal stations stood idle, the proportion of nuclear energy sources came to 42 percent. Another six VVER units, of which three will be commissioned within a few years, are under construction. Ten VVER-1000 reactors, as well as those under construction, have protective jackets (containments) to protect the population against radioactive contamination. Very unfortunately, the two VVER-440 reactors do not have such jackets, and neither do the RBMK-1000 reactors at the Chernobyl AES.

The nuclear power industry is facing great difficulties in our country. The AES's operate on excessively expensive fuel imported from Russia. The deliveries of fuel elements in exchange for nuclear warheads cannot satisfy a developing nuclear power industry for any considerable period of time.

Ukraine has an enterprise for refining uranium oxides from various rocks with a capacity of several thousand tonnes a year. However, natural uranium and its compounds are merely the raw materials. Nuclear fuel for the operating AES's may be manufactured from it by increasing the content of uranium-235 from 0.7 percent in natural uranium to 2-4 percent through isotope separation at special plants. However, we do not have such plants. Enterprises processing spent fuel are lacking; there are no disposal facilities for burying radioactive waste.

Full self-sufficiency in nuclear energy is only possible under the conditions of a full closed cycle of production, the existence of relevant scientific and technical structures, design and development organizations, and a system of cadre training. However, this calls for considerable funds and many years of intensive work.

### III.

What are the reasons for the difficult situation in the nuclear energy industry of Ukraine?

As is known, the nuclear power industry evolved in the entrails of the military-industrial complex and actually held an extraterritorial position. The Chernobyl accident was a consequence of such practices. According to the concept of the political leadership and the supreme authorities of the union and the republic at the time, the geopolitical situation of Ukraine did not make it possible to develop here a full complex of the nuclear power industry and power generation.

Besides, the crisis is a direct consequence of the elimination of a united economic structure caused by the principle of economic destruction. The CIS has not created an interaction between sovereign states that would keep the accomplishments of the people.

All of this brought about 80 percent of the nuclear industry and 90 percent of the scientific-technical potential remaining at the disposal of the Russian Federation when independent sovereign states were created. Actually, Ukrainian scientists and industrialists made a large contribution to nuclear potential. For the sake of fairness, a mechanism for compensation and reparation should be sought.

It should also be noted that the construction of AES's in Ukraine was not accompanied by the establishment of adequate scientific structures and design organizations. The shortcomings of scientific-technical policy in Ukraine manifested themselves in this manner.

The Committee for Nuclear Energy, the National Academy of Sciences, and the Academy of Medical Sciences should have begun their operation specifically by eliminating the vacuum of scientific structures in the areas of reactor physics and technology, reactor materials science, radiation chemistry and technology, and radiation biology and nuclear medicine. However, such activities were not supported by the government financially.

In keeping with an edict of the president of Ukraine, the main effort of nuclear scientists and engineers should be aimed at carrying out the comprehensive state program for

safety at the operating AES's of Ukraine. At issue is primarily the modernization of the VVER-1000 reactor (greater safety and reliability, ecological acceptability, and economic effectiveness).

Scientific-technical support is one of the necessary conditions for ensuring reliability and the safe operation of the AES's. The relevant Ukrainian scientific-technical establishments that have not been organized yet are to be charged with this now. The creation of a system for training scientific and engineering cadres is an urgent necessity. Meanwhile, the migration of cadres from the Ukrainian AES's (in excess of 3,000), mainly to the Russian Federation, is not being offset by cadre training.

### IV.

The causes and consequences of the Chernobyl AES accident are common knowledge. The uncontrolled reactor runaway brought about its destruction, the core melt down, and a thermal explosion releasing into the environment several percent of uranium-235, uranium-238, plutonium-239, 240, and 241, fission fragments, and irradiated parts and structures of the reactor....

For eight years now, our nation has engaged in a difficult and dangerous effort to eliminate the consequences of the accident and save the people from the grave consequences of radiation, spending for this purpose 12 percent of its national income. However, this is a flash in the pan.

Funds to complete the resettlement of the population from contaminated territories are lacking. The processing and indefinite burial of 2 million tonnes of radioactive dirt, which is deposited at temporary field disposal facilities, has not yet begun. The supply of clean foodstuffs and special drugs in necessary amounts to the population has not been organized. The habits of living in contaminated zones have not been instilled.

A group of ministries and local power structures have been failing to meet obligations under the Chernobyl program year after year. All of this creates an environment of mistrust in everything that is associated with the "peaceful atom." This environment is being aggravated by politics.

The international scientific community and the IAEA have rightfully noted the inconsistency of RBMK developers in assessing the causes of the accident; in the absence of consistency, measures to perfect the reactors may not be developed. For example, as early as June 1986, we drew the conclusion that a violation of the criteria of internally inherent safety that should have been built into the idea, calculations, and design of the reactor became the cause of the accident. We made proposals concerning measures to improve reactor safety.

Of course, we were not alone. Hundreds of studies were done at the scientific centers of the world. The prominent American nuclear specialist and "father of the hydrogen bomb," E. Teller, recently released a statement to the effect that as long as 30 years ago, Americans abandoned the RBMK-type reactors as unsafe.

Recently, the IAEA considered the issue of the cause of the accident for the third time, along with a report from a group of Russian Federation experts headed by Ye. Velikhov about measures taken to perfect the reactors that would make them safe. Many of them have also been introduced at the Chernobyl AES. Certainly, this motivated the Supreme Council to cancel its decision concerning a moratorium on continuing the construction of six VVER-1000 reactors, and rescheduled the decommissioning of the reactors in Chernobyl from 1993 for several years later. To be sure, if this reactor is switched over to the regimen of self-control and self-shutdown when temperature grows, it will be transformed into a safe reactor. However, for this purpose the internal structure of the core and its physics need to be modified. It came out that the general designer has not yet done so. This may be one of the reasons why the international community persistently demands that the Chernobyl AES be closed.

The IAEA sees the main reason for such demands in the absence of appropriate culture in designing and operating the AES's. Since nothing in our country is done without advice and expert review by foreign specialists, U.S. Assistant Secretary of Energy William White demanded that the Chernobyl AES be closed as soon as possible and that a treaty be signed in keeping with which "Ukraine undertakes to shut down the Chernobyl AES as soon as possible" rather than at a time when Ukraine reaches a balance in its energy system and finds resources due to which the operation of the Chernobyl AES could be stopped, as well as when it obtains credit to finance the difficult efforts to decommission the reactors.

Chernobyl has become the stuff of big-time politics. At their July meeting in Naples, the G-7 countries will once again discuss the problem of Chernobyl.

Ukraine shall have under its government a Scientific Council for the Issues of Reactor Safety whose decisions would be binding on all, including government figures. A proposal concerning such a council and even its composition was submitted two years ago. Risk is impermissible in resolving scientific-technical issues where human lives are involved. We should abandon the thing that was once called obsequiousness. This does not become the Cossack clan....

#### **Deputies View Chernobyl AES Shutdown**

*944K1965C Simferopol KRYMSKAYA PRAVDA  
in Russian 30 Jul 94 p 2*

[Unattributed report: "Ukrainian Deputies Express Differing Opinions on the Possibility of the Closure of the Chernobyl Nuclear Power Station"]

[Text] "The Chernobyl AES [Nuclear Electric Power Station] is dangerous, and it needs to be closed down; this would benefit Ukraine both politically and economically," Volodymyr Yavorivskyy, member of the Ukrainian Parliament, who was head of the Chernobyl Commission in the last Supreme Council, believes.

In an interview with INTERFAX-UKRAINE he termed "reckless" the words of parliamentary speaker Oleksandr

Moroz and Prime Minister Vitaliy Masol, who in the course of a recent visit to the Chernobyl AES opposed its closure.

V. Yavorivskyy emphasized here that politically he could understand "the particular political game" of the premier and the head of parliament inasmuch as it is essential that Ukraine win increased assistance from the West for the closure of the station.

Valeriy Cherep, chairman of the Commission for the Base Sectors, believes: "In order to discontinue the capacity of the Chernobyl AES, new capacity needs to be introduced."

In the opinion of Boris Oleynik, chairman of the parliamentary Foreign Affairs Commission, the West has allocated an extremely negligible amount for the closure of the Chernobyl AES. "The sum of \$200 million offered by the Seven in Naples this July should not even have been announced," he said.

"If it is a question of the closure of the Chernobyl AES without compensation for the losses of electric power, parliament will support the position of its chairman, and the station will not be closed, Viktor Suslov, chairman of the Commission for Finance and Banking, declared in an interview with IF-UKRAINE.

But, in his opinion, if "reserve capacity is found, there is a high probability of the deputies voting for the closure of the station."

#### **Kuchma Asks for Economic Reform Legislation**

*944K1965B Simferopol KRYMSKAYA PRAVDA  
in Russian 30 Jul 94 p 1*

[Unattributed report: "The President of Ukraine Commissions the Government To Draw Up a Number of Economic Reform Bills"]

[Text] Leonid Kuchma, president of Ukraine, commissioned the government by his directive on Thursday to draw up the drafts of a number of legislative instruments on economic reform.

With the participation of the National Bank, the State Property Fund, and the Antitrust Committee, in particular, the Cabinet of Ministers has been commissioned to prepare and present to the president prior to 5 August draft laws on currency regulation and bill of exchange cover for the reciprocal debts of economic transactors.

It is essential to have prepared bills on the protection of Ukraine's domestic market and the regulation of customs control, the issue of internal funded republic bonds, the taxation of enterprise income, a mechanism for the current adjustment of the discount rate of the National Bank of Ukraine with regard to the rate of inflation, and on reform of the budget system in the timeframe from 10 August through 20 September.

The bill on currency regulation, according to the directive, is to provide for a resumption of auctions at the Ukrainian Interbank Currency Exchange (UMVB) and the gradual convergence of the market and the official rates of the



karbovanets against foreign currencies. Bidding was suspended at the UMVB in November 1993. It resumed this spring, but only in respect to the Belarusian ruble.

### **Crimean Decree Props Up Print News Media**

944K1965A Simferopol KRYMSKAYA PRAVDA  
in Russian 30 Jul 94 p 1

[Decree of the Supreme Council of Crimea: "Measures for Official Support for the Print News Media of the Republic of Crimea"]

[Text] In connection with the difficult financial situation in which outfits of the print news media have found themselves as a result of inflation and the increased prices of printing services and the services of communications enterprises, which is causing a sharp reduction in newspaper print runs, the Supreme Council of Crimea decrees:

1. The exemption in 1994-1995 from value-added tax of products put out by newspaper and journal editorial offices, printing services in the release of newspaper and journal products, and activity in their distribution and also of printing materials and paper used for the production of print news media.
2. That it will present a legislative initiative in the Supreme Council of Ukraine concerning the exemption in 1994-1995 of the editorial offices of the news media, publishing houses, and printing enterprises from the payment of import customs duty on the importation of paper, printing materials, and printing vehicles used to produce news media products.
3. The exemption in 1994-1995 from the payment of profits tax of the editorial offices of newspapers whose founders are organs of state power, artistic unions, and national-cultural societies funded from the state budget and exclusively journalistic outfits.
4. A recommendation to the local councils that they find funds to compensate for losses from the subscription to periodical publications whose founders are city and district councils.

[Signed] S. Tsekov, chairman of the Supreme Council of Crimea  
City of Simferopol, 21 July 1994

### **Masol Government Seen Unlikely To Reform**

944K1875A Lvov POST-POSTUP in Ukrainian No 24,  
14-20 July 94 p B1-2

[Article by Tamara Kutsay: "The Government of Vitaliy Masol: So Far the 'Socially Oriented Economy' Is Not Oriented Towards Fundamental Reformist Changes in Ukraine"]

[Text] In contrast to some politicians, whose recent attempts to return to Ukraine's power Olympus have confirmed the famous saying that "you cannot step into the same water twice," Vitaliy Masol managed to do just that. (As we know, he left the post of chairman of the Council of Ministers of Ukraine in the fall of 1990 under pressure from student hunger strikes and was appointed prime minister of

Ukraine by the Supreme Council in June of this year on the nomination of the president of Ukraine.)

However, despite the hopes of some politicians and economists that sometimes even antireformists succeed in carrying out successful fundamental reforms, up to now the new prime minister has not demonstrated any particular desire to do so. So far, the only thing heard in the corridors of power and subsequently echoed in the press has been his desire to build a "socially oriented economy." And one of his first and undeniably needed decrees, "On Personnel Reductions in the Staff of the Cabinet of Ministers of Ukraine," under which 159 staff members were cut (20

), has produced no perceptible changes in the organizational structure [apararat] of this body, which has long been notorious for its bureaucracy and corruption. In choosing his own team, Vitaliy Masol is exhibiting his customary slowness of action. Not until 7 July was there an abrupt infusion of new people into the Cabinet of Ministers...

...That day, the Supreme Council at its session confirmed Petro Hermachuk as the new minister of finance (he had served as first deputy finance minister up to then), while the presidium of the Cabinet of Ministers appointed four new deputy prime ministers: Yevhen Marchuk, head of the National Security Service of Ukraine, Volodymyr Plitin, president of the State Construction Corporation, Valeriy Samoplavskyy, minister of forestry, and Anatoliy Dyuba, chairman of the State Committee of Ukraine for Supervision of Job Safety.

While the appointment of Petro Hermachuk to the post of minister of finance of Ukraine was anticipated and appeared to be a fairly logical decision (according to former Deputy Prime Minister Ihor Yukhnovskyy, "hitherto the entire ministry of finance rested on him, and he is more qualified in the area of finances than former minister Hryhoriy Pyatachenko"), the appointment of the other three deputy prime ministers was indeed a surprise. The obvious fact is that V. Masol had worked with all of them when he was chairman of the Council of Ministers, and Volodymyr Plitin, for example, had been appointed minister of construction of Ukraine just at that time (August 1990). Of the former deputy prime ministers, the only one to remain is Valeriy Shmarov, who is in charge of matters pertaining to the military-industrial complex and conversion, but, if the latest rumors are true, for him, too, these are not the best of times in view of the fact that a new position has been created, that of deputy prime minister in charge of national security, and Yevhen Marchuk has been appointed to this post. Inasmuch as it is difficult to imagine matters pertaining to national security as separate from the military-industrial complex, some suggest a short period of rivalry between the two over this rather important sector. The final picture will soon become clear, insofar as the Cabinet of Ministers of Ukraine is preparing a new decree on the organizational structure of the central organs and a clearly defined division of powers among the deputy prime ministers.

According to the prime minister of Ukraine, the formation of the Cabinet of Ministers is already 90 percent complete.

Ihor Yukhnovskyy describes the process of forming the new government as "sad doings." However, apart from sorrow for some and joy for others, recent events demonstrate a certain mobility in the economic sphere. It is no accident that the now almost rhetorical question in the Ukrainian economy has again surfaced to the fore—should there be or should there not be a fixed foreign exchange rate? This question was posed at the last joint meeting of the commissions of the Supreme Council, and the deputies plan to return to it once again on 12 July at the plenary session of the Supreme Council. "Whatever solution is adopted, it will be political," says V. Suslov. Thus, for the first time the newly formed government is seriously facing the dilemma: should it continue to maintain its monopoly in key economic spheres, or should it pursue demonopolization by, for example, engaging in the buying and selling of foreign currency at the market rate on the exchange and the like (these are precisely the proposals contained in the draft of the Law on Changes in Foreign Exchange Controls, signed by 115 deputies and said to have been written by Viktor Pynzenyk). Although, addressing the Supreme Council on the eve [as published], V. Masol urged it "not to rush" in reaching a decision on foreign exchange regulation and asked to be given the opportunity to work out this problem over the next two to three months.

The overwhelming majority of observers and analysts are inclined to think that the policy of the new government will not differ significantly from the policy of the preceding one. At least, both cabinets are alike in that, despite the new appointments that have already been made, there is essentially nobody in the government to lobby for the interests of rightist reformers. But the current government, headed by a well-known and experienced apparatchik, is distinguished by its tendency towards making subtle "apparatchik" ["aparatchyk"] decisions. We see evidence of this in the discussion we have already referred to surrounding foreign currency regulation, in which, in addition to the above draft of the Law of the "115" and the draft of the decree on changing foreign exchange controls submitted by the Standing Commission of the Supreme Council on Finance and Banking, headed by V. Suslov, the well-known ideologist of the fixed foreign exchange rate, there suddenly appears a third proposal, that of the Cabinet of Ministers, which allegedly contains fundamental changes to acting legislation.

So far, the launching pad on which the new-fledged government currently stands is generally not very appealing, despite those few positive elements that it inherited from the previous government (a 1.5-fold increase in foreign exchange accumulations on enterprise accounts, a positive balance in Ukraine's exports and imports for the last three months, a modest but nevertheless some degree of stabilization with respect to Ukraine's foreign debt, etc.). On the eve of the harvest, the prime minister told the Supreme Council without optimism: "This year's grain harvest was the lowest in the last 10 years..." Production in Ukraine fell 38.2

in the first five months of this year, exceeding the rate of decline during the last two years by a factor of 2.5. Primarily

this affected the export-import spheres (the decrease in output in industry amounted to 41.1

, in ferrous metallurgy—33.8

, in the chemical and petrochemical industry—41.61

, in machine-building—47.7

, in the timber industry—43.9

, and the link with a fixed foreign exchange rate is obvious. According to newly appointed Finance Minister Petro Hermanchuk, "production has become unprofitable in our country, and most of our capital is in circulation."

"Those currently in power," states V. Suslov, "want stabilization. Whereas changing the existing regulated exchange rate will result in destabilization. Underlying the issue of foreign currency controls is a powerful political aspect, behind which it is possible to discern the principal groups in parliament—the unstable leftist majority and the "Reforms" group. The methods of economic destabilization are a means of weakening the new government and the new parliament."

"You need not be an economist to predict the situation that we can expect by the end of the year if fundamental changes are not made in the economy," believes Viktor Pynzenyk. "If we maintain the status quo, we can earn 8.5 billion dollars from exports by the end of the year, but this amount will not be sufficient to pay for even such essential imports as oil and gas, for which we need 11.5 billion dollars."

Add to this the budget deficit, which now stands at more than 300 trillion karbovantsi, plus the negative balance in the balance of payments expected to amount to four billion dollars this year... Masol's government will be forced to take some fundamental steps, otherwise what guarantee is there that it will not have to resign once again "as an encore"?

P.S. Former Nationalities Affairs Minister Oleksandr Yemets: "I have the impression that at the end of his tenure in office, President Kravchuk handed over the formation of the government to Masol as a way of buying him off. I could not discern Kravchuk's style in the process of forming the Cabinet of Ministers (he obviously did not want to clash with parliament before the election). Masol is choosing a government to suit himself. Many of the names that have been proposed are not known even to politicians. The government's first steps demonstrate that little will remain of the prime minister's programmatic statement: there will be an attempt to increase administration in production and trade. But this is naive and utopian."

Ihor Hryniv, one of the leaders of the New Wave political association: "Traditionally, key positions in the Ukrainian government go to people either from the Supreme Council or from the preceding government, which indicates the lack of a clearly defined personnel policy. Masol is trying to surround himself with people with whom he worked when he was chairman of the Council of Ministers, even though they did not play leading roles at the time. In other words, he wants to form a team of loyal people who are beholden to

him in some way. In all likelihood, this team will not be a team of professionals, and therefore this government has no future."

### Harvest Figures Lag Behind 1993 Levels

944K1915B Kiev DEMOKRATYCHNA UKRAYINA in Ukrainian 14 Jul 94 pp 1-2

[Article by Oleksandr Yaholnyk: "Will Ukraine Have Bread?"]

[Text] Addressing the session of the Supreme Council of Ukraine a week ago, Prime Minister Vitaliy Masol painted a rather gloomy picture. Especially in the agroindustrial complex.

He said that the government and the state had settled with the farmers for the milk and meat they had delivered and had paid back the loans on state contracts. However, this year's grain yield is expected to be the lowest in the last 20 years. Estimates indicate that about 34 million metric tons of grain, wheat, will be threshed, or half as much as last year.

Will the price of bread remain the same?

"Our position," stressed V. Masol, "is as follows: not to raise the price of grain. The Ministry of Finance and the Ministry of the Economy have calculated that if we raise the price of grain today, tomorrow the cost of bread will increase five-fold or more. We will grant a subsidy to grain producers."

At the same time, Vitaliy Masol urged the deputies to institute greater control over the delivery of grain to the state and stressed that those farms that produce the best grain harvest should deliver it to the state first and foremost...

Familiar arguments, are they not? Once again, the mechanism of compulsory-voluntary wresting of grain is being activated, and command-economy levers are being applied instead of relying on market forces. Yet there was no mention whatsoever of the question of deliveries of oil products to agricultural producers by the Lysychansk, Kherson, and Odessa refineries [NPZ] as part payment for the state contracts. Too bad. According to the July schedule, the farmers are to receive 150,000 metric tons of gasoline and 350,000 metric tons of diesel fuel, whereas actually (as of 12 July) they have been shipped only 27,000 and 67,000 metric tons, respectively. Zakarpattia Oblast has already harvested and threshed 7,000 hectares of grain crops but has not yet received a single metric ton of gasoline from the centralized supplies. The same is true of Ivano-Frankivsk, Luhansk, and Lviv oblasts. You can see with the naked eye that if the government does not apply some effective measures very soon, many farms will not be able to harvest in time even the crops that they managed to grow. They will have no fuel with which to run their machinery.

Unfortunately, the first week of harvesting confirms the forecasts of Vitaliy Andriyovych and his experts. Compare the figures in the last two columns of the summary of the beginning of harvesting at collective farms, state farms, and interfarm agricultural enterprises published here and you will see for yourself that much less grain than last year is being threshed in the fields in practically all oblasts. Thus the government must begin dealing immediately with the problem of grain procurement by developing a mechanism that would enable us to make do with our own grain resources without buying grain from abroad. It needs to use unconventional approaches and solutions. But will the prime minister and his team have the boldness to try such approaches?

### Summary of the Beginning of Harvesting at Collective Farms, State Farms and Interfarm Agricultural Enterprises as of 11 July 1994

	Grain and Pulse Crops (excluding corn)					
	reaped	threshed	% of amount reaped	threshed		
	thousands of hectares			total in thousands of quintals	quintals per hectare	
					1994	on 12 July 1993
					1994	1993 on 12 July
Republic of Crimea	228.7	199.4	87.2	4,506.8	22.6	26.7
Vinnitsya Oblast	31.9	3.9	12.2	79.0	20.4	32.4
Volyn Oblast	—	—	—	—	—	—
Dnipropetrovsk Oblast	30.2	5.8	19.2	153.6	26.7	35.6
Donetsk Oblast	6.2	0.4	6.5	9.4	25.9	35.7
Zhytomyr Oblast	—	—	—	—	—	—
Zakarpattia Oblast	7.0	7.0	100.0	280.4	40.0	37.7
Zaporizhzhya Oblast	92.6	22.9	24.7	513.5	22.5	28.3

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Ivano-Frankivsk Oblast	0.5	0.2	40.0	6.1	27.7	31.3
Kiev Oblast	—	—	—	—	—	—
Kirovohrad Oblast	14.2	0.8	5.6	13.5	16.8	26.8
Luhansk Oblast	5.4	0.3	5.6	5.2	20.8	32.9
Lviv Oblast	0.1	0.1	100.0	3.1	24.8	32.9
Mykolayiv Oblast	154.9	90.7	58.6	1,425.7	15.7	27.7
Odessa Oblast	244.9	219.8	89.8	2,815.5	12.8	28.0
Poltava Oblast	2.9	—	—	—	—	—
Rivne Oblast	—	—	—	—	—	—
Sumy Oblast	—	—	—	—	—	—
Ternopil Oblast	1.0	0.1	10.0	2.7	31.1	39.2
Kharkiv Oblast	1.5	0.0	0.0	0.3	49.0	34.4
Kherson Oblast	205.3	132.5	64.5	2,771.9	20.9	26.6
Khmelnystkyi Oblast	7.6	0.6	7.9	19.1	32.9	40.3
Cherkasy Oblast	1.5	—	—	—	—	—
Chernivtsi Oblast	8.7	2.3	26.4	34.1	36.0	39.3
Chernihiv Oblast	—	—	—	—	—	—
TOTAL	1,045.1	696.8	65.7	12,689.9	18.5	28.4
As of 4 July 1994	321.9	185.7	57.7	2,944.6	15.9	—
As of 12 July 1993	899.5	513.1	57.0	14,564.9	—	—

### Deputies View Privatization Progress

944K1915A Kiev DEMOKRATYCHNA UKRAYINA  
in Ukrainian 14 Jul 94 p 1

[Unattributed article: "Privatization or Grabitization? The Deputies Have Yet To Get at the Truth. Parliamentary Diary"]

[Text] For the first time on 12 July, the Supreme Council of Ukraine got through the complete list of issues on its agenda. The deputies devoted most of their attention to the central reform issue—privatization. They heard the report of Volodymyr Pryadko, the chairman of the State Property Fund. According to Pryadko, up to now 2,133,000 privatization deposit accounts have been opened, and 5,412 state-communal objects have already been privatized, of which 1,875 were privatized in the first quarter of this year. The objects subject to privatization employ close to 15 million persons, whose interests must also be taken into account, stressed Pryadko.

He noted that the problems involved in privatization are the result of the sluggishness of economic reforms and obstruction by local authorities. According to the chairman of the board of directors of the State Property Fund, in order to speed up and increase the effectiveness of privatization, it is necessary to grant tax benefits, make changes in legislation, accelerate the creation of a securities market, and amend administrative procedural and civil procedural legislation regulating liability for abuses in the process of privatization. Oleh Taranov delivered a coreport on behalf of the Commission on Economic Policy and Management of the National Economy.

The discussion revealed different points of view with respect to the course of privatization. Many deputies agreed that privatization has not promoted economic reforms in any way, and the objects that have been transferred into private ownership are not operating more effectively. If anything, the opposite is true. Many examples of blatant abuses, corruption, clannishness, and nepotism were cited at the session. Deputies belonging to leftist factions insisted that the privatization organs stop their work to allow the situation to be assessed and legislation to be passed to ensure that privatization is conducted in the interests of the people.

The resolution proposed based on the summary of the discussion did not pass. Parliament will return to this question in the next few days.

### Trade Union Federation Protests to Kuchma

944K1984A Donetsk DONBASS in Russian 2 Aug 94  
p 1

[Solidarity Union protest statement: "Once Again From the Working People's Pockets"]

[Text] The Solidarity Federation of Trade Unions of Ukraine expresses a protest at the drastic measures of the national Cabinet of Ministers.

Despite the sworn assurances of the Ukrainian Government to do everything to get the economy back on its feet and to prevent the further impoverishment of an increasingly new strata of people, everything is being done the other way about.

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Two recent facts are typical in this respect. In connection with the decree of the Cabinet of Ministers of 20 May 1994 "Indexation of Fixed Capital in 1994," its value and, accordingly, depreciation attributed to the prime costs of output increases by a factor of more than 53. This will inevitably cause an avalanche-like increase in prices, particularly in the capital-intensive sectors of the Donbass and the Dnieper region, will sharply increase inflation, and will ultimately undermine the living conditions of the bulk of the country's population. At the same time, on the other hand, there are other options for privatization in accordance with the actual value of the properties, on a voucher basis particularly.

In his telegram to L.D. Kuchma, president of the country, Yu.T. Pivovarov, chairman of the Solidarity Federation of Trade Unions of Ukraine, emphasized that today is not the time, including for political and social reasons, for increasing from the pocket of a destitute people, even if justified economically, the source of the replacement of fixed capital. Being profoundly certain that the said decree is a delayed-action mine for the new power structures also,

we request the cancellation or, at least, the suspension of the computation of the amounts of additional depreciation until better times, the telegram says in conclusion.

The Solidarity Federation of Trade Unions of Ukraine has also sent a telegram of protest to V.A. Masol, prime minister of the country, apropos the directive of the Ministry of Communications of Ukraine of 16 July, which increases fourfold or fivefold the rates for services of telephone and telegraph communications with countries of the CIS. Considering the level of pay in Ukraine, this will conclusively close off channels of communication, particularly for inhabitants of the Donbass, the Dnieper region, and Southern Ukraine, with relatives living in countries of the former Union. We regard this, the telegram says, as a political step aimed at self-isolation and an infringement of elementary human rights. We demand an immediate reconsideration of the rates.

[Signed] Press Office of the Solidarity Federation of Trade Unions of Ukraine

## MOLDOVA

### Progress at Dniester Talks Reviewed

944K18704 Moscow NEZAVISIMAYA GAZETA  
in Russian 16 Jul 94 p 3

[Article by Natalya Prikhodko: "Chisinau-Tiraspol: Neither Peace Nor War: The Politicians Must Begin To Negotiate"]

[Text] Richard Samuel, head of the CSCE mission, has registered the loss of impetus in the negotiating process. A boost to the more dynamic development of the negotiations, seemingly, was to have been the joint statement of 21 April signed by Mircea Snegur and Igor Smirnov, the presidents of Moldova and the PMR [Dniester Moldavian Republic]. Realization of the statement, however, which contemplated, in particular, the joint elaboration of special legal status for the Dniester region, has come to a standstill. For the added reason that Tiraspol, as distinct from Chisinau, has not formed its group of experts (by the time of our conversation with the head of the CSCE mission it had been approved by an edict of the president of the unrecognized PMR—N.P.). Having issued the traditionally diplomatic warning "there are always two parties to a conflict," Richard Samuel emphasized that further progress of the negotiations would depend on the readiness of the Dniester leadership for compromise and on its desire to resolve the problem within the framework of a united and indivisible Moldova. The situation is disappointing thus far. But a certain expectation may be linked with the recent meeting between Andrei Sangheli, prime minister of the Republic of Moldova, and Igor Smirnov, at which problems of economic cooperation were discussed. If the next meeting takes place, as promised, in August and a permanent constructive dialogue is cemented, they may be expected to switch smoothly from the economic aspect to a discussion of political problems. It is gratifying, of course, as Samuel specified, that the participants in the negotiations recognized as a theoretical basis the proposals prepared by the CSCE mission. And the CSCE, of course, would like to operate more actively in practice, to take part, for example, in the work of the Joint Control Commission (JCC) of the tripartite peacekeeping force that has been committed to the security zone. For which provision is made to some extent by a document that has been drawn up and that is in the harmonization phase on the principles of cooperation between the CSCE mission and the JCC (in accordance with this, officers of the mission are entitled to unrestricted movement in the security zone, to visit posts of the peacekeeping force and military subunits, and to obtain the necessary information from the JCC).

The version to the effect that Russia does not in reality wish to admit the CSCE to assertive activity in the Joint Commission has long been circulating in Chisinau. The aspiration of the latter to enlist an international arbitral mediator in the settlement process to avoid being left head to head

with Moscow is obvious. It is made even more logical by the conviction, quite prevalent here, that the Russian peacekeeping force is serving as a cover for Tiraspol. Or, as Dumitru Dyakov, chairman of the parliamentary Commission of the Republic of Moldova for Foreign Policy, said, "an umbrella for the armed formations of the Dniester region." Victor Catan, deputy minister of foreign affairs of the Republic of Moldova and cochairman of the JCC from the Republic of Moldova, maintains that the Dniester region people have committed the latter to the security zone in spite of the current accords. Catan adduced as an example the fact of the deployment of a military subunit of the PMR at the Bendery Fortress, to which military observers were barred in defiance of the established rules. Recognizing this to be impermissible, the JCC demanded of Tiraspol compliance with the agreements that had been reached, Yuriy Bychkov, leader of the Russian delegation to the JCC, reported. And he observed that both sides are giving grounds for mutual complaints. He recalled the "nonprotocolic" multitude of assault rifles that had shown up at the Rezinskiy Training Center of the Republic of Moldova Ministry of Defense. While terming the overall situation calm and controlled, Yuriy Bychkov called it "pulsating," that is, shaken by periodic fluctuations (excesses), the amplitude of which will not lead to another explosion. But their existence, on the other hand, is enabling the parties to present various demarches dictated by political aspirations that are natural under the conditions of an unresolved conflict. Settling it is, of course, the job of politicians, and the job of the peacekeeping force is to safeguard and preserve peace in the security zone, with which the latter, headed by the JCC, has been coping perfectly successfully for two years now. This has made it possible to reduce by half the local contingent of Russian peacekeepers. Instead of the 2,400 men that arrived in the summer of 1992, there are now 1,200 here. And it is planned reducing this number also. Which, first, is permitted by the situation and, second, is dictated by the possibilities of Russia itself, which is bearing the burden of peacekeeping operations at more than just one point of the CIS. True, the contemplated reduction has already given rise to concern, at least on the Dniester side, which does not rule out the possibility of provocations. Sergey Krylov, deputy minister of foreign affairs of the Russian Federation, recently visited Moldova. He went to the security zone, met with the command of the peacekeeping force, and took part in a JCC session. According to him, the situation in the region, which is quite stable today, could improve in the future, were the politicians, finally, to begin to negotiate. And Krylov considered the mediating potential of the CSCE mission to be not entirely realized here. In conversations with the Moldavian leadership the Russian visitor discussed possible proposals concerning a stimulation of the activity of this organization in a settlement of the conflict. The rapprochement of Russian-Moldavian relations should contribute to the signing of a bilateral state treaty. The representative of the Russian Ministry of Foreign Affairs promised to promote its speediest ratification in the Russian parliament.

## ARMENIA

**Dashnak Official on Karabakh Solutions**

944K1948A Yerevan RESPUBLIKA ARMENIYA  
in Russian 29 Jul 94 p 1

[Unattributed report: "ARFD Discusses Karabakh Problem"]

[Text] A news conference was given on 27 July by Vaan Ovanisyan, member of the bureau of the opposition Union of Action Armenian Revolutionary Federation.

In his opinion, unjustifiably great significance has been attached in a solution of the Karabakh problem to the problem of the disengagement force, whereas these troops are of no consequence for the Armenian side since the Karabakh Army is reliably protecting the safety of its people. The deployment of the disengagement force along the border with Iran is another matter. According to V. Ovanisyan, the Armenian side should take a positive view of this proposal.

In the opinion of the Union of Action Armenian Revolutionary Federation, the sequence of steps for a political settlement of the Karabakh conflict should be as follows: a) the establishment of peace, which may be achieved with the participation of the disengagement force or without it; b) negotiations aimed at determination of the status of Nagornyy Karabakh; c) withdrawal of the Karabakh troops from the occupied territories.

In V. Ovanisyan's opinion, the CSCE was founded and operates according to the principles of the times of the cold war, which are today out of date. Thus, for example, evidence of the anachronism of the principle of the sanctity of borders is the continuing war in the former Yugoslavia.

V. Ovanisyan commented positively on the creation of Russian military bases in Armenia, rejecting together with this the possibility of Armenia becoming a part of the USSR (in the event of its restoration) or any other such empire.

**NDS Seeks 'Legitimate' Path to Power**

944K1948B Yerevan RESPUBLIKA ARMENIYA  
in Russian 29 Jul 94 p 1

[Report by A.Ye.: "NDS Operates Legitimately, This Organization's Leaders Maintain"]

[Text] "According to our information, the authorities have no intention of resorting to provocations aimed at impeding our next demonstration," David Vardanyan declared yesterday at a news conference of the National Democratic Union. He explained the authorities' tolerance by a fear of public opinion of the West and Levon Ter-Petrosyan's reluctance to "besmirch himself" before his important trip to the United States scheduled for mid-August.

Having emphasized the satisfaction of the NDS [National Democratic Union] with the results of the movement that has commenced, Mr Vardanyan observed that its first stage, whose purpose was an upsurge of the political assertiveness of the people's masses, is over. Speaking of the upcoming stages and, specifically, of the mechanisms that the NDS

leaders intend to engage to achieve their program goals, David Vardanyan ruled out the possibility of the use of outside forces and gave the assurance that the NDS intends achieving power exclusively by the legitimate path.

Responding to a question of your RESPUBLIKA ARMENIYA correspondent on his attitude toward the opinion voiced by the president of the republic to the effect that the seven figures recently expelled from the board of the Armenian National Movement would sooner or later be in the NDS, David Vardanyan declared that there were too many serious disagreements on a whole number of issues between the leaders of the National Democratic Union and the seven former Armenian National Movement members to speak of the possibility of unification. Commenting on the statement of Ashot Manucharyan, who has as of late become an associate of the NDS people, to the effect that the Armenian National Movement regime would be overthrown on 17 September at 1230 hours precisely, Mr Vardanyan observed that this announcement should not be taken too seriously. The import of the said words amounts to his confidence of the inevitability of a change of power in the very near future.

**Diamonds Top List of Republic's Exports**

944K1917C Yerevan RESPUBLIKA ARMENIYA  
in Russian 26 Jul 94 p 1

[NOYAN TAPAN report: "We Export Diamonds. We Import Food"]

[Text] According to customs cargo declarations, 30.5 percent of the total volume of Armenian exports consists of cut and uncut diamonds and the scrap and by-products of precious metals and jewelry items; 22.7 percent consists of machinery, mechanisms, and equipment; 13.6 percent consists of lighting fixtures and equipment; and 8.5 percent consists of footwear.

Products of the food industry and vegetable and livestock production make up the largest proportion of imported commodities—45 percent, and machinery, mechanisms, and equipment make up 16.2 percent. These figures do not include the energy resources and grain that is imported.

**Refugees Return to Nagorno-Karabakh**

944K1917D Yerevan RESPUBLIKA ARMENIYA  
in Russian 26 Jul 94 p 1

[Unattributed report: "The Artsakhi Return"]

[Text] Several dozen persons from Karabakh who had settled in Stavropol Kray three years ago after Azerbaijani units seized the northern rayons of Nagorno-Karabakh will return to their homeland on 27 July. A SNARK correspondent was told by Albert Kocharov, chairman of the Coordinating Council for Armenian Communities in Stavropol Kray, that two buses will be taking the Karabakh residents to Stepanakert from Pyatigorsk this morning.

"We have provided the Karabakh residents with transportation without charge and we are giving them material assistance because we realize it will be hard for them at

first," Kocharov said. He said the number of people from Karabakh who want to return to their homeland is increasing every day.

Previously, the Coordinating Council had appealed to citizens of the Nagorno-Karabakh Republic staying in Stavropol temporarily to return to their homeland.

#### **AOD Leadership at Odds**

944K1917A Yerevan RESPUBLIKA ARMENIYA  
in Russian 26 Jul 94 p 1

[Report by A.Ye.: "The AOD Will Henceforth Have One Less Vote At Sessions of the Supreme Soviet Presidency"]

[Text] The inevitability of this was apparent to everyone. The conflicts within the governing board of the AOD [Armenian Pannational Movement] would have led to a split sooner or later between the majority and those in the faction formed around Albert Bagdasaryan, Aram Mailyan, and Khachik Stamboltsyan. The decision adopted on Friday at a meeting of the board and supported by the soviet was the climax of the opposition. And although the question of exclusion from the ranks of the organization was not raised, the decision adopted may be considered very severe: the membership of A. Bagdasaryan and A. Mailyan in the organization's leadership organ, as well as in the AOD's group of deputies in parliament, was suspended. The reaction by supporters of the persons out of favor was to be expected: Seven persons holding the same views issued a statement declaring that they are discontinuing their activity on the board and in the group of deputies until the next AOD congress as a sign of protest.

Yesterday the seven "former" gave a press conference, which will be reported in the next issue of RESPUBLIKA ARMENIYA.

#### **Communist Youth Union Registered as Party**

944K1917B Yerevan RESPUBLIKA ARMENIYA  
in Russian 26 Jul 94 p 1

[News Department report: "With Lenin Only in Their Hearts"]

[Text] Mr. Manasaryan, chief of the Social and Political Organization Registration Department of the Ministry of Justice, told a RESPUBLIKA ARMENIYA correspondent that the Communist Union of Armenian Youth (KSMA) was officially registered a day or two ago. The founding tenets of the new organization are based on the concepts of Marxism-Leninism, although Lenin's name was removed from its title. According to Robert Agaronyan, first secretary of the Armenian Komsomol Central Committee, the organization he heads has more than 3,000 members, 11 rayon committees in the republic's rayons, and primary units in enterprises and higher educational institutions. KSMA leaders maintain that they have the full moral and legal right to be considered the successor to the LKSM [Leninist Komsomol].

#### **Central Bank Chairman Explains Policy**

944K1941A Yerevan RESPUBLIKA ARMENIYA  
in Russian 28 Jul 94 pp 1-2

[Interview with Bagrat Asatryan, chairman of the Central Bank of the Republic of Armenia, by Ashot Aramyan; place and date not given: "Amputation as a Method of Currency Policy, or a Green Light in a Black Corridor"]

[Text] [Aramyan] Bagrat Artashesovich, the rather long and equally incomprehensible strengthening of the dram in the republic at the end of last week was interrupted by a jump downward. Both facts, in my view, need comment. Let us say, with respect to the first, a rather logical version existed that examined the behavior of the national monetary unit from the aspect of the impending privatization. According to this version, it turned out that the weakening of the U.S. dollar was very, very advantageous to those who are preparing to become owners of cafes and movie theaters and stores and barbershops; after all, each square meter of area, according to procedure, is equivalent to either \$10 or, if the facility occupies an entire building, \$20. The less the latter will be quoted at, the cheaper it will be to acquire the property. On the other hand, such a situation is unfavorable for the receipt of resources for the treasury from privatization. How would you comment on all of this?

[Asatryan] With respect to the existing version for strengthening the dram, I will answer briefly: It is advantageous absolutely to everyone—for some, earlier, and for others, later. That there could be something bad in the fact that the situation is developing in favor of the future owners....

[Aramyan] But, pardon me, what about the state budget—it is already patched and repatched as it is, and if there are any hopes for "improvement," then they are most of all associated with the expected "iron flow" of resources received from the resale of state property. It is enough to mention that the state budget for this year was adopted with a deficit of 7 billion drams. Where will this considerable amount of money come from?

[Asatryan] The answer here is simple. The owners will win, and all of society will win, and the state budget will win in the final analysis. All of this is firmly interrelated; therefore, it is impossible to examine these concepts in isolation from others.

[Aramyan] Fine, let us assume this is so. But what is happening now?

[Asatryan] The premium hunting last week that was associated with a drop in the dram exchange rate was not dictated by any real facts. This quite obviously was shown by the trades on the Yerevan stock exchange. The volumes of resources that passed through its trades make it possible to state with confidence that monetary policy and the formation of real money rates of exchange today are not made on the street, as before. And the people should understand this, in order not to succumb to panicky moods, as a result of sharp drops in the exchange rate on the "black market." This so-called "market" today has been left only a narrow "corridor" for manipulation and exchange rate "games."



"scissors," in whose short compass it will still be able to function, which recent events have shown. Briefly, the recent panic was incited on the "black" currency market and, consequently, it cannot have a long-range character. It is necessary to proceed from this.

[Aramyan] Chairman of the Russian Central Bank Gerashchenko, who "became famous" in the whole country with his light-hearted readiness to amputate his own hand, after all did achieve stabilization of the ruble. Are you prepared today.... no, no, not "to pledge" parts of your own body, but to declare that improvement in the monetary-financial sphere has been achieved in our country—without which the general improvement of the economy is unthinkable?

[Asatryan] I can assert that on the whole, improvement has been achieved in the monetary-financial sphere. This is apparent, as the saying goes, even to the naked eye. In May of this year, inflation in Armenia, in comparison with April, amounts to 56.5 percent, which was not associated with the precarious position of the dram, which already at that time was conducting itself rather confidently, but with certain other circumstances, which I will not dwell on now. In June, the rate of inflation in Armenia was already cut to 9.1 percent. But in this month, it was even reduced to naught—deflationary processes began in the republic, when the level of inflation reaches zero and heads in the opposite direction. Thus, it cannot be ruled out that we will "close" July with deflation that attains 10 percent.

However, we will refrain from euphoria, and we will not forget that, as before, the republic finds itself in surroundings where unfavorable foreign political and economic factors predominate. Unquestionably, we have succeeded in easing them, but it is necessary to remember that the aggravation of some foreign factor could give us a lot of trouble once again. In the final analysis, the "black" currency market also still exists, with all of its unpredictability and spontaneity, which we are still not in a condition to neutralize completely. However, today our work is directed in many ways at "tomorrow's" day, when the destabilizing domestic and especially foreign influences will be regulated.

[Aramyan] What is your forecast regarding the future ratio of the rate of exchange of freely convertible currency and the dram?

[Asatryan] After a temporary neutralization of inflation, it will make itself felt once again, but its rates will not be high. According to it, the dram will again move backward, slowly yielding, as now, to the Russian ruble and to the "harder" currencies.

[Aramyan] What are the strategic tasks of the Central Bank today?

[Asatryan] They remain basically as before: the strengthening and development of the banking system, the formation in the republic of a fully fledged credit market and real interest rates for credit, a sensible currency policy, and the creation of conditions for the fully fledged development of a stock market. Recent events have shown that it is also still early to remove from the agenda such a strategic task of the Central Bank as regulation, suppression of inflation, and the

prevention of serious drops in currency exchange rates that directly and in a bad way affect the general condition of our economy.

[Aramyan] The Central Bank recently adopted new decisions that made it possible to talk not only, so to say, about "teeth," but also about a "smile" of the Central Bank, and about a definite easing of its policy....

[Asatryan] Starting on 20 July, we removed the restrictions on refinancing rates. Adopted in a very difficult time, when inflation was raging in the republic, the decision on the minimum interest rate for credit at an annual level of 360 percent was based on the right given the Central Bank temporarily, for a period of six months, to establish a minimal credit rate below which the banks did not have a right to issue credit. Starting on 20 July, banks were free to establish interest rates independently, when issuing credits from their own resources.

We are also continuing to work on the formation of a real interest rate, on the basis of supply and demand, and credit rates at auctions of credit resources. At the most recent one of them, 82 million drams were sold. The interest rate, which was fixed at the auction, is still not very indicative, inasmuch as 30 of the 82 million drams that were sold are the so-called "short" money—with a period of repayment of from 10 to 15 days (the average rate—235 percent). The period of settlement for the remaining monetary resources is from one to three months, in which the interest rate came up to 362 percent.

I will also add that all interbank credits transferred by us to the sphere of auctions should go only through trades; moreover, we have given firm guarantees to the creditor bank: If in the course of three bank days, the credit purchased from them is not paid for some reason by the bank borrower, the Central Bank will itself repay this account, and only then will it apply penalties to the violating bank.

Our second decision concerned the conversion of monetary resources into cash. In February of this year, for the purpose of weakening demand for cash and forcing economic entities to keep money in the banks, we introduced some restrictions of a temporary nature on cashing resources, only if they did not go for wages, business trips, and some other necessary expenditures. Moreover, the banks were supposed to pay a certain percent for the resources of enterprises. Thus, the other day we partially, actually by 95 percent, removed these restrictions. In particular, our condition to pay cash for monetary resources that do not go for the allocation of wages and the like is no longer in effect with respect to agricultural entities, charitable organizations (i.e., not all, but those on a special government register), and all administrative components whose resources are received from the sale of currency.

[Aramyan] The Armenian parliament has still not confirmed the monetary-credit program, as well as the socio-economic policy, although according to the law it was obligated to do this simultaneously with the adoption of the state budget....

[Asatryan] It was really not adopted; however, one way or another, it is being put into practice.

[Aramyan] The chairman of the Central Bank of the Republic of Armenia is appointed by parliament on presentation by the president of the republic. Do you feel that you are sufficiently free today from the dictate of the executive branch of authority when making decisions?

[Asatryan] Unquestionably. In the final analysis, the fate of the chairman of the Central Bank of Armenia is decided by parliament. The president can make a recommendation to the Supreme Soviet of the Republic of Armenia. Thus, I think that the Central Bank is granted sufficient guarantees of independence and autonomy by law.

[Aramyan] Thank you for the interview. I wish you future successes in your difficult work.

## AZERBAIJAN

### Spokesman on Labor Party Objectives

944K1957A Moscow LITERATURNAYA GAZETA  
in Russian No 30, 27 Jul 94 p 2

[Report by Elmira Akhundova: "On What Is the Labor Party Working? On the Restoration of the Union and State Socialism, It Would Seem"]

[Text] The idea of the reintegration of the post-Soviet political and economic space is winning an ever increasing number of supporters in Azerbaijan. This idea has been formulated most precisely, perhaps, by the leaders of the Labor Party in their recent appeal to the deputies of the Supreme Council and the citizens of the republic.

The Labor Party has appeared on the political map of Azerbaijan only in recent months, but has already been registered in 25 cities and districts of the republic, and the number of those wishing to join its ranks has passed the 20,000 mark. What are the reasons for the so rapid growth in popularity of the Azerbaijan Labor Party, I asked Rasim Agayev, political coordinator of the party and deputy of the Supreme Council.

"As distinct from the parties of a right-wing nationalist persuasion, whose program goals differ little from one another, the Labor Party is a party of a new ideology. The essence is that whereas the Azerbaijan Popular Front, the Musavat, and their ilk make independence paramount and are, in fact, leading the country toward Turkization, the Labor Party considers of vital importance the restoration of Azerbaijan's ties to its historical and geopolitical space. The collapse of the Union was not caused by objective factors, the wave of quasi-democracy has passed, and a unification process, in which we intend to participate in every possible way, is gaining momentum today."

To my question as to why the party is called "Mutalibovite," Rasim Agayev replied: "There are people in the party who were close to the first president of Azerbaijan and who shared his political views. And now also, incidentally, a

substantial part of Azerbaijani society is beginning to understand that in many of his decisions Mutalibov was right. This fact is worrying certain circles, official circles included."

Rasim Agayev—a well-known journalist in the past—was press spokesman at the time when A. Mutalibov was president of the republic.

The program of priority stabilization measures proposed by the "Laborites" signifies, essentially, abandonment of the market economy and a revival of the ideas of state socialism. The longer the present leaders of the republic, while paying lip service to their fidelity to the ideas of democracy and radical economic transformations, delay implementation of these ideas in practice, all the more rapid will be the expansion of the social base of parties of a communist and socialist persuasion, which intend in the very near future to unite in a political bloc and to constitute serious competition at the coming parliamentary elections in 1995.

### Parliament Speaker on Need for Reform, Peace

944K1911A Baku AZERBAIJAN in Azeri 21 Jun 94  
p 1, 2

[Interview with Resul Guliyev, speaker of parliament, by Elmira Akhundova: "We Need Peace And Radical Reforms"]

[Text] In distinction to the first parliamentary speakers, one cannot call him a "man of the cabinet." He is actively involved in military building and most of his time is spent not in the parliament but in rayons of military activity. Until being elected chairman of the republic Supreme Soviet he worked a long time in the industrial sector, and for years led the large oil refinery in Baku. He is an economic planner, and an active proponent of a market economy. He is the hope of Azerbaijan's businessmen and proprietors. Today, Resul Bayramoghlu Guliyev is the most important and influential figure on Gaydar Aliyev's team. Our special correspondent Elmira Akhundova talked with him.

[Akhundova] The war, talks with Armenia's leadership, economic reforms. Does the variety of your activities impede your work as chairman of parliament?

[Guliyev] Not in my view. On the contrary, parliament is functioning very effectively. The question is not about the number of draft laws passed, but in their quality, their conformity with the laws of civilized states. Coming to military issues, when we talk about the defence of the fatherland, I am not the speaker, but an ordinary citizen. I consider it an obligation to be informed about the course of military activity in the rayons, to be familiar with local situations and to resolve problems which come up. As for the implementation of economic reforms, this is the most important question for me. We can only attain true independence by a mature economy working according to market laws. If we continue to work according to the laws of the totalitarian system which prevailed during the long decades of the USSR and still exists today, we will never be able to create an effective economy and be on the verge of

losing our state independence that was achieved at the cost of constant difficulties and great sacrifice. Thus, I see my life and the significance of my present work as speaker of parliament in the passing of basic economic reforms.

[Akhundova] Unfortunately, one can say that this work has been stalled in the republic. In your opinion, what is impeding the passing of radical economic reforms in Azerbaijan?

[Guliyev] At present, the majority of the state-bureaucratic representatives of the nomenklatura in the government, approximately 80 percent of them, have no conception of the content and significance of economic reforms. They are distant from every kind of market concept. Even if they respected me, I would not have risked implementing economic reforms together with them. With this, I do not want to say that there are no cadres capable of solving the important problems of the day in Azerbaijan. For them, one has to search among the young, 30-40 year old entrepreneurs, scholars and economists. They have shown themselves in the last 5-6 years and by now have mastered all the fine points of the market economy and commerce. These people have to come into the government. Cadres and cadre problems and the major and most urgent problem in Azerbaijan. There is now a conception of a systematic rebuilding of state administrative organs in Azerbaijan. But without skilled, prepared cadres, no concept, not even the most mature concept, can bear fruit. The war, the need to liberate the occupied territories, and the complicated political situation in the Transcaucasus are exerting a negative influence on domestic processes in the republic and have tied our hands. I consider that there will be a turning point in a month. In general, if you want to know my opinion, I favor the broad and simultaneous application of shock therapy in the denationalization and privatization processes in the republic's economic organs. I difficult job on creating corpus of laws which would make it possible to realize this is going on now in parliament.

[Akhundova] What is happening now on the Armenia-Azerbaijan front? Although the Azerbaijan Army has succeeded in stopping the advance of Armenian units deeper into the territory of Azerbaijan, it has been unable to achieve any important successes. Can this justify this much loss? Perhaps peace talks would reach the goal desired by both sides more quickly?

[Guliyev] We have never rejected talks or peace. Yes, the negotiation process is going slowly, and it is a complicated matter to find a mutually acceptable variant; much blood has been shed, and the lack of faith of both sides in the conflict is great. But there is no alternative: the continuation of military confrontation can lead to new mass sacrifices and the complete dissipation of physical and spiritual resources. Thus, I consider that I acted correctly when I signed the Bishkek Protocol and signaled Azerbaijan's preparedness for a long-term ceasefire and political talks.

[Akhundova] This protocol was met with a sharp reaction in Azerbaijan. The opposition condemned your name for a month, and even more irreconcilably, accused you of

betraying the national interest and demanded your resignation. The most important accusations are: by signing your name alongside the representative of the Armenian community of Nagorno-Karabakh, you gave the "Republic of Nagorno-Karabakh" de jure recognition, and secondly, a "green light" was given to the variant regulating the conflict within the bounds of the CIS and for the location of a Russian military contingent on Azerbaijan's territory...

[Guliyev] I consider these accusation an angry distortion by disruptive forces attempting to come into the government on a wave of political agitation and populist speeches; this is not the first year they have played the "Karabakh card." No one in the world, not even Armenia, recognizes the organization called the "Nagorno-Karabakh Republic." At the same time, sooner or later, we have to understand the real situation that has been created." The is a war going on Azerbaijan's territory, and Nagorno-Karabakh is one of the participants in this conflict. When we come to the question of which plan is the best for Azerbaijan, I know that there is a good possibility for unifying the two plans—the plans proposed by Russia with the plan presented by the CSCE and its representative, the Minsk group. Here there is a big "but"...If peace is proposed to Azerbaijan under shameful conditions, I do not want to take part in concluding the peace. The most important is that the four resolutions of the UN's Security Council be fulfilled, and all occupied territories in our republic be vacated. All remaining questions can be resolved in the process of political talks. I would say that I do not agree with your idea that we have not achieved any important military successes. We have advanced along the entire from between five to as much as fifteen kilometers. We have done all this in two months. Yes, we have had certain losses, by I can say without fear that we have to sacrifice in order to liberate our territories.

[Akhundova] How do you view the idea of locating peace-keeping forces, primarily Russian soldiers, in the region of conflict?

[Guliyev] Azerbaijan's leadership favors a force of international observers for the peacekeeping activity. If it is needed to locate troops within the conflict area then these should not only be Russian, but representatives of a mixed contingent. In this question, leading states in the West, the leaders of countries represented in the CSCE's Minsk Group, are in full agreement with us. Putting the issue as you did leads to a breach of national sovereignty to a certain extent. In my opinion, Russia and Azerbaijan should make an effort to revive not military or political dependence on one another, but cultural and economic solidarity. I talked about this on my last trip to Moscow and commend the fact that the leaders of the Russian state approached my position with understanding.

[Akhundova] In your prognosis, what will develop in the political, economic and military sectors in the next few months?

[Guliyev] Certainly, everything will depend on the macro-situation in the foreign political sector. If nothing unexpected happens, we will begin radical economic reforms soon. There can be no stalling or we will be too late. If we are

unable to resolve the Nagorno-Karabakh problem peaceably, we will continue to liberate our lands. It is true that I hope that the Armenian side, the leaders of the neighbor republic finally understand that the continuation of military confrontation will give them nothing. Armenia is in bad shape. They can hold on to the present position and gain military success with the help of the diaspora and foreign aid, but this will not last for long.

Our political strategy? We have to prove to the world community that we are building a genuinely democratic, civilized state. Because no matter how much we deceive ourselves, we are still far from a truly democratic, civilized society. There is much to do in moving forward.

#### **Northern Region Interethnic Clashes Investigated**

##### **Sadval 'Political Sabotage' Claimed**

944K1911B Baku AZERBAIJAN in Azeri 16 Jun 94  
p 2

[AzerTAG report: "Sadval Has Not Ended Its Dirty Games"]

[Text] Recently the Sadvalists, who were unable to attain their dirty goals in ethnic conflicts created in the city of Derbend, have made an effort to move their political sabotage activity to Azerbaijan's territory. Sadvalist emissaries, selecting Azerbaijan's Gusar Rayon as their target, have begun to surface there often. These forces, inflaming separatist mentalities, are engaging in acts of sabotage against the legal activity of government organs.

The event which took place in Piral village of Gusar Rayon on 14 June 1994 is a clear proof of Sadval's anti-Azerbaijani activity. Local police under the leadership of Fail Mirzebeyov, a Dagestan MVD official, had come to the village with the goal of returning the deserters in the village to the army were confronted with blatant resistance and threats by a group of local residents who were in a drunken state. The instigators clashed with the police and attempted to disarm them. Then a group of men, inflamed by extremist circles, attacked the local police station and tried to capture the building. The police were compelled to resort to necessary measures for their own self-defence. A number of police received serious injuries during the clash started by these instigators who were controlled by outside forces trying to undermine our independence; two officials were taken to the hospital in serious condition. One of the civilian population was killed.

At the command of the president of the Azerbaijan Republic a state commission under the chairmanship of deputy prime minister Abbas Abbasov was established in order to investigate these events, and a criminal case has been instituted by procuracy organs on this matter.

##### **Guasar Rayon Events Detailed**

944K1911C Baku AZADLYG in Azeri 30 Jun 94 p 1

[AZADLYG Information Department report: "Absurd Demands Will Be Met"]

[Text] State councillor on ethnic questions Hidayet Orujov held a press conference on 27 June. Discussing the events occurring in Gusar Rayon on 14-15 June in detail, he claimed that these events conveyed a purely criminal character. H. Orujov noted that definite forces outside the country have tried to inflame interethnic relations in Azerbaijan's northern region a number of times. As is known, two people were killed as a result of clashes with the police in the village of Piral in Gusar. Both of those killed were citizens of Russia.

Following these events, they attacked the rayon police station and municipal administration. Those who were holding an illegal meeting demanded that a political evaluation be made of these events. Speakers put forth absurd demands such like firing the police chief, recalling draftees of Lezgian nationality, and awarding the title of "National Hero" to those killed.

Hidayet Orujov said that a criminal investigation had been launched on all three events. The situation in Gusar now is quiet.

To a question posed by our correspondent on the status of the border between Azerbaijan and Russia, he Orujov responded that although Azerbaijan has one border post with 40 border guards, Russia has 5 border posts, and is building three more. They are interested in the porosity of the border of the Azerbaijani state.

According to information from the Sherg Agency, the positions of chief of police and military commissar in Gusar Rayon have been vacated.

Thus, some of the demands considered by the state councillor on ethnic affairs to be absurd are being met.

#### **Official Details Interstate Trade Efforts**

944K1973A Baku ZERKALO in Russian 30 Jul 94 p 4

[Interview with Yagub Askerov, chief of the administration of interstate and interregional relations of the Ministry of Material Resources of the Azerbaijani Republic, (formerly GOSSNAB of the Azerbaijani SSR) by N. Ramizoglu, ZERKALO correspondent; place and date not given: "Russia Will Not Deliver Its Products to Us Until Azerbaijan Settles Its Debt: How Does the Situation Now Stand With the Delivery of Necessary Material-Technical Resources From the Other Republics of the Former USSR?"]

[Text]

[Ramizoglu] With what republics of the former USSR is Azerbaijan concluding intergovernmental agreements on trade-economic cooperation?

[Askerov] Starting with 1991, we annually envision concluding an agreement with 13 republics of the former USSR, with the exception of Armenia. Of course, this does not always happen. In 1994, intergovernmental agreements on trade-economic cooperation were concluded with seven CIS republics—Ukraine, Belarus, Moldova, Kazakhstan, Turkmenistan, Kyrgyzstan, Tajikistan, and two republics of the Baltics, Latvia and Lithuania.



[Ramizoglu] But what about the Russian Federation?

[Askerov] The draft agreement with the Russian Federation was approved by the Government of Russia, and it is in the signing stage at the present time. However, the main reason the signing of the agreement is being delayed is Azerbaijan's debt to Russia on the clearing agreement of 1993. The debt was formed as a result of the fact that our republic, more accurately the suppliers—the State Oil Company of the Azerbaijani Republic, the Ministry of Agriculture, the State Committee on Fuel, the Azerikimiya concern, and several others—did not meet their obligations, although, in my opinion, such a possibility did exist.

We came from Moscow several days ago, where we worked with the Federal Contract Corporation Roskontrakt. They want very much there to cooperate with us. Russia needs our products, but nevertheless, Roskontrakt openly declares that until Azerbaijan settles its debt to Russia, there will be no delivery of products from the Russian Federation to the Azerbaijani Republic.

The question of the repayment of the debt has been repeatedly examined in the Cabinet of Ministers of the Azerbaijani Republic. The government is making efforts to pay its debt and to resolve relations with Russia. The last decree, N 271 of 12 July, establishes the volumes of products being delivered to the Russian Federation and to Ukraine, to whom, incidentally, we are also indebted.

[Ramizoglu] Why are these agreements on trade-economic collaboration necessary?

[Askerov] Such agreements give the right to import and export products without customs duties. Therefore, commodities that move according to an intergovernmental agreement cost much less than usual. Moreover, quotas that give the right of export are established on some types of products.

[Ramizoglu] What kinds of commodities does Azerbaijan receive from the republics of the former USSR?

[Askerov] The agreement provides for the receipt from Ukraine of rolled ferrous metals, steel and cast iron pipes, metal articles, rolled copper, 15,000 tonnes of meat and meat products, 250,000 tonnes of dairy products, 70,000 tonnes of sugar, 50,000 tonnes of flour, 5,000 tonnes of cereals, 35,000 tonnes of table salt, 200,000 tonnes of technical salt, and 2.5 million decaliters of ethyl alcohol. From Moldova—rolled ferrous metals, 2,000 liters of animal fat and vegetable oil. From Kazakhstan—5,000 tonnes of poultry meat. From Kyrgyzstan—seeds, incandescent lamps, and metallic mercury. Turkmenistan delivers mainly gas. In addition to gas, an agreement provides for the delivery of 200,000 tonnes of fuel oil, 8.5 tonnes of sulfur, iodine, etc.

Azerbaijan, in turn, supplies POL materials, pipes, rolled aluminum, sulphanol, polyethylene, and other types of products of a production-technical designation.

[Ramizoglu] What is the situation with respect to provisions for the republic this year?

[Askerov] In comparison with last year, the situation has gotten worse this year. The main obstacle that interfered with the implementation of the intergovernmental agreement was the transfer of money. Each side demands hard currency. The agreements provide that the National Bank of the Republic must conclude separate agreements or contracts with banks of the other republics for the settlement of these questions. But nothing has been done specifically so far. It will be necessary to find other ways. In my opinion, the clearing agreement is the optimal way out of this situation (clearing—this is a system of noncash accounts based on an offset of mutual demands and obligations). However, clearing agreements are not particularly approved these days.

[Ramizoglu] Who specifically is not giving approval?

[Askerov] Those ministries and departments do not approve clearing agreements which, while delivering their own products, do not receive the resources they need in return. These organizations do not want to take into account the fact that by supplying products to the other republics, Azerbaijan in turn receives vitally necessary commodities and raw materials.

### Crime Statistics Up in June

944K1973B Baku ZERKALO in Russian 30 Jul 94 p 5

[Article by N. Mikulin: "Criminal Situation Worsens; the Number of Murders Increased Sharply in the First Six Months"]

[Text] June of this year was a month when crime exploded. Sixty percent more crimes were registered than in May and 40 percent more than in June of last year. Rasmiya Aliyeva, departmental chief of the State Statistics Committee, told a ZERKALO correspondent.

According to R. Aliyeva's words, since the beginning of 1993, statistics showed a noticeable decrease in registered crimes. But the opposite process is being observed in 1994. In particular, in the first six months, in comparison with last year, the number of murders and attempted murders increased sharply—almost by 17 percent.

The most registered of all crimes is the theft of citizens' personal property. In second place is the theft of state and public property—12.5 percent of the registered crimes.

Of the 2,206 criminals undergoing investigation, 1,141 are walking the streets, and they are possibly aggravating an already unfavorable statistic. Five hundred and fifty-two persons have gone missing, of which only 221 persons were subsequently found.

The number of crimes associated with the use of narcotics has also increased. And it is 2 percent higher than last year.

### Administrative Structures Hinder Agricultural Reform

944K1919A Baku EKONOMIKA AZERBAJDZHANA in Russian 26 Jul 94 p 2

[Article by N. Stavitskaya: "The Present Structure of Agriculture Is Holding Back Development of the Private Farming Movement"]

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[Text] The main function of the Economic Reform Office of the Azerbaijan Agriculture Ministry [Minselkhov] is to draft normative and legislative acts in its sector. An indirect task is to lay the legal foundation for carrying out agrarian reform. The staff members of the office are directly involved in drafting the republic's land code, the bill on the peasant farm, legislative enactments on antitrust activity and entrepreneurship, and the draft of the land tax law.

As Faik Iskenderov, who heads the office, said in a conversation with an EKONOMIKA AZERBAJDZHANA correspondent, principal attention is being paid at the present time to development of the diverse forms of ownership in the agricultural complex. A study has to be made and conditions brought about for development of private and cooperative farms and small enterprises.

The reform pertains mainly to improvement of management of the agro-industrial complex. That includes regulation of financial and credit relations, bank policy, price policy, and matters related to investments and the supply of equipment and materials. The structures that exist at the present time frequently do not conform to the legislation. There is agreement on this among experts and the peasants themselves, the "pioneers" in the new market relations in agriculture, and there are a multitude of examples of this. For instance, the creation of small private farms has been transferred to the jurisdiction of soviets of people's deputies (which have not been officially abolished, but in practical reality are inoperative). However, actual power is held by the heads of rayon executive authorities. Discrepancies like that are causing grievances from the peasants, and the creation of small private farms and development of private business in this sector are being held back. About 10 ministries, committees, and departments are concerned with agriculture, but there is no single body in the republic that might coordinate their activity. Specialists feel that this structure must be located in the office of the president.

The present small private farmer, according to the letter of the law, possesses all the rights to run his farm independently. There are a number of opponents of this situation. They feel that it is not permissible for prices of agricultural products to be deregulated when there is a general shortage. But the laws of the free market are doing their job. The small private farmer will hardly agree to sell his products to an enterprise at a low price when frequently it is even uncertain when he will be able to obtain money for them.

The second argument used by opponents of the slogan "Land to the Peasants" is to be found in the latter-day proclamation: The Kolkhozes and Sovkhozes Have Not Yet Become Obsolete By Any Means. This form of ownership is justified. It is asserted that even at the present time they are being artificially destroyed, and so on. But the Minselkhov of Azerbaijan seems already to have adopted a course rather clearly towards the development of small private farming. Yet it is assumed that this process will take place slowly, without destroying the structures that already exist. The Minselkhov is setting aside for the farmers 33 tractors, three trucks, four cotton harvesters, 30 trailers, and some other equipment.

Under current legislation the individual farmers must be citizens of Azerbaijan living in rural localities with at least three years' experience in agriculture or equivalent education. They have prior rights to obtain land for small private farming. Personnel of kolkhozes and sovkhozes must first of all apply to the management of the given farm. A decision is made there by the general assembly of the kolkhoz approving creation of the small private farm. The future farmer appends those documents to his application to the rayon soviet. The decision made there is sent to the head of the executive authority along with a petition for allocation of the land. The land offices allocate land to the private farmers, and the documentation to that effect is sent to the Giprozem. Thus the farmer receives a confirmation and title. Then in reverse order the rayon soviet receives the decision establishing this farm, and it is registered. Once that is done, the farmer can open a bank account, order a stamp, and commence full-fledged operation.

At the beginning of 1994 the republic had 478 peasant farms, which were using in their activity about 16,000 hectares of land. (These are farms reporting to statistical authorities. If we include cases of squatting, which already have been repeatedly reported, the number should be increased.) But even on the basis of the statistical data the competent structures cannot say what the private farmers are actually producing. At present they are first of all trying to provide for themselves, and they are delivering only the surplus to the market. At the same time, it is hardly sensible to expect very much from a stratum that is just being born and possesses only 1 percent of the republic's farmland. Most of the land, just as before, belongs to the kolkhozes and sovkhozes. Their workers are receiving miserly wages, and even then there are delays.

In the opinion of F. Iskenderov, the reason for the low percentage of farmland occupied by private farmers and cooperators is that the present management structure does not conform to the interests of market transformations. Consequently, the peasant who wants to obtain land is applying to the soviets. The latter cannot decide this question without the participation of the executive authorities of the rayons. In addition, land must be allocated to the peasant by land offices, which are subordinate to the heads of the executive authorities. Thus unnecessary red tape is being created, and many people are simply not up to overcoming it.

The rayons most favorable from the standpoint of starting small private farms in the republic are Dashkesanskiy, Apsheronkiy, Neftechalinskiy, Kubinskiy, and Beylaganskiy. Farmers in Beylagan are mainly growing cotton, while in Dashkesan, Kuba, and Apsheron they are animal husbandrymen, mainly raising cattle.

At the Minselkhov they acknowledge that so far the reform has not been going so smoothly. They list among the causes the republic's participation in the war and the refugees. A large amount of fertile land has been occupied. In addition, if the reform is to be carried out successfully, there evidently must also be certain changes in peasant psychology. At present they are convinced that the land they are given

today could be taken away again tomorrow. There are cases in which the peasants refuse to take the land.

Because there is no privatization program, this process is being held up in the sector of processing of agricultural products and agricultural service enterprises. Following examination in commissions of the Milli Medzhlis, the most recent version of this program is again being submitted to the ministry, which has been asked to make its own changes.

Certain work is being done to involve Western investments. The European Union [EU] is carrying out a program of aid to agriculture along three lines: assistance to small private farms, to the ministry itself—in improvements of management structures, and to privatization of product distribution. The efforts being financed by the EU will be conducted by three European firms. Specifically, by the Italian firm Agrotech, which is working directly with the ministry and assisting approximately 100 small private farms. The foreigners are suggesting that a center be organized in the republic for training private farmers, that the farms be supplied equipment gratis, and so on.

### Ministries To Be Reorganized

944K1891A Baku ZERKALO in Russian 23 Jul 94 p 4

[Report by G. Talanina: "A Major Cutback in Ministries and Departments Is Expected"]

[Text] Two plans for reorganizing and reducing the size of the administrative machinery have been submitted for consideration of the Cabinet of Ministers.

Comparing his plan with the alternative plan proposed by the Ministry of Finance, Oktay Akhverdiyev, chief of the Macroeconomic Structure Policy Administration of the Ministry of Economics, told a ZERKALO correspondent in an interview that the difference lies primarily in the number of administrative units subject to reduction. The Ministry of Economics plan provides for a 30 percent cutback of ministries and concerns. The Ministry of Finance proposes that they be cut back by 45 percent. In addition, the Ministry of Economics provides for the names and functions of two or three ministries to be modified. One is being abolished altogether.

It has been proposed that 10 to 15 of the building contractors that now exist in the republic be combined into one ministry. However, specialists doubt that this is possible today.

In O. Akhverdiyev's opinion, the most important thing about the Ministry of Economics plan is that all the innovations meet the requirements of economic policy under the conditions of the transition to a market economy. For example, all the enterprises in the plan are called "companies," which its drafters believe shows that they belong to a market economy and are ready for shareholding by private firms. For example, the Caspian Shipping Company will be named the Caspian Transport Company. The plan provides for the transfer of the Bakport [Baku Commercial Seaport] to it.

O. Akhverdiyev believes that the ministry's role should be changed. Enterprises are interacting with the state through taxes, and the higher organizations are carrying out a specific policy in this sector and studying market conditions.

At the same time, the plan does not consider a reduction and change in the structure of the power ministries and departments, the Ministry of Foreign Affairs, the Office of the Procurator General, and arbitration within the president's competence.

### Baku Unemployment Figures Reported

944K1891B Baku ZERKALO in Russian 23 Jul 94 p 4

[Report by N. Ramizogly: "The Number of Unemployed Is Increasing"]

[Text] "Some 4,981 persons applied to the Labor and Employment Service over a six-month period this year, and 3,367 of this number, or 68 percent of those looking for work, were placed in jobs," reads the statement given to a ZERKALO correspondent in the information department of the Baku City Executive Authority. According to Labor and Employment Service figures, 436 persons were classified as unemployed in the city of Baku as of 1 July 1994.

It should be noted, the City Executive Authority emphasizes, that compared with the same period in 1993, the number of citizens applying over the six-month period increased by 21 percent, the number of persons given work increased by 281, and the number of citizens with unemployed status increased by 319.

Meanwhile, the number of vacancies in Baku enterprises and organizations is declining; this is related to the continuing production recession, the lack of raw materials, and the disruption of economic ties between the republic's enterprises and the CIS countries, and as a consequence, an additional cutback in the work force in the first half of this year. Some 731 persons were dismissed in the first six months of 1994; 274 of them held positions as workers.

However, 2,750 new work places, including 1,280 in commercial structures, were created in 301 of the city's enterprises in the first half of the year.

### Labor Party Scores Economic Policy

944K1891C Baku ZERKALO in Russian 23 Jul 94 p 4

[Report by N. Mikulin: "Azerbaijan Labor Party Condemns the Government's Economic Policy"]

[Text] On 18 July, the Provisional Executive Committee of the Azerbaijan Labor Party circulated an appeal to Supreme Soviet deputies and citizens of the republic in the mass media. The document passed to a ZERKALO correspondent by Sabutay Gadzhiev, the party's chairman, states that "the promises by the republic's political leaders to put an end to the war, stabilize the social and economic situation, and restore law and order have not been carried out."

The Labor Party considers the root cause of all the problems that have befallen Azerbaijan to be the policy of self-isolation imposed on the republic in recent years. The PTA

[Azerbaijan Labor Party] states: "The Azerbaijani people can be saved and the country's statehood and social welfare can be developed only by creating a new community—an economic union of Eurasian states with equal rights. This is the party's established objective."

As immediate preventive measures, the PTA believes it is essential to raise the public's subsistence minimum; introduce indexing of prices for food products; establish strict control over exportation of the national wealth; monitor the humanitarian aid coming into the republic; publish the records of profits from the sale abroad of petroleum products, cotton, tobacco, and other raw materials; and finally, to issue a declaration on incomes, because the working people should know the truth about the incomes received by individuals in government service.

#### **Poll Shows Privatization Not Popular**

944K1978A Baku SODRUZHESTVO in Russian  
30 Jul 94 p 1

[AZERTADZH report: "Not Everyone Likes Privatization"]

[Text] In connection with the forthcoming discussion by National Assembly deputies of the privatization program for 1994, the Center for Humanitarian Research and Forecasting under the Azerbaijan Supreme Soviet has conducted a public opinion poll jointly with the Goskomimushchestvo [State Committee on the Administration of State Property], according to an AZERTADZH report.

It was revealed during the course of the poll that although 39 percent of the respondents have a positive view of privatization in the country, 34.2 percent of those polled consider this an extremely unfavorable process and 21.6 percent are still undecided. Some 65 percent of the respondents stated that they do not have the funds to take part in privatization in any case. Only 29.2 percent would like to privatize the enterprises where they are employed, but nearly half (47.9 percent) are opposed to this procedure. And 41.3 percent of

the respondents have a negative view of foreigners' participation in the privatization process in the republic.

Nearly 75 percent of those taking part in the poll believe that privatization will turn out to be advantageous only for individual wealthy persons and mafia groups. Only 13.4 percent are convinced that the state benefits from this. Even fewer—9.1 percent—believe it will benefit the entire population. Only 18 percent of the citizens think their lives will improve after privatization.

Finally, 30.2 percent of the respondents consider it advisable to hold a referendum on the need (or lack of the need) for privatization. Most of those polled supported the need to limit the privatization of state property and proposed that those who speak about privatization before the end of the Karabakh war be considered "enemies of the people."

#### **Group Protests 'Housing Mafia' Actions**

944K1978B Baku SODRUZHESTVO in Russian  
30 Jul 94 p 1

[Report by SODRUZHESTVO correspondent: "Provide Equal Rights and Benefits"]

[Text] Baku—The Group for the Defense of National Peace in Azerbaijan under the leadership of L. Grigoryeva has adopted an appeal to Prime Minister S. Guseynov in which it sharply protests activity by the housing mafia in Baku, as well as the passive position of the republic's authorities and law enforcement organs in suppressing cases in which citizens' apartments were seized.

Attention is drawn to the fact that persons deprived of housing as the result of actions against their rights by those who call themselves refugees do not have the official status of victims and are not receiving any compensation from the state, which is not meeting its commitments to protect their legal rights.

The appeal by the Group for the Defense of National Peace contains the proposal that the refugees from areas of combat operations and the persons deprived of housing as the result of actions which infringe on their rights receive equal rights and privileges.



## LITHUANIA

**General Procurator on Preventive Detention**

944K1867A Moscow LITERATURNAYA GAZETA  
in Russian No 29, 20 Jul 94 p 13

[Interview with Lithuanian general procuracy's investigator Algimantas Astaska by LITERATURNAYA GAZETA correspondent Tatyana Yasinskaya; place and date not given: "'Combating Criminals Is a War,' Is the Opinion of a Lithuanian Procuracy Investigator. Can Russia Borrow Something From Neighbors' Experience?"]

[Text] Vilnius—Exactly a year passed since the law on preventive (that is, essentially, deterrent) detention was adopted in Lithuania. Needless to say, this extraordinary measure was caused by emergency circumstances—an unheard of rampage of organized crime, which no longer could be explained by the peculiarities of the country's postcommunist development and deep economic crisis. In the words of one of the "fathers" of the emergency law, Seimas' Deputy Chairman E. Bickauskas, racketeering turned into a virtual epidemic against the backdrop of the authorities that have removed themselves from combating it and engaged with abandon in political games, as well as persistent contentions of some top law enforcement officials that "Lithuania never had and does not have a mafia." It was no longer possible to leave the situation in the hands of such "snake charmers." According to the data of the republic MVD [Ministry of Internal Affairs], by the time the law on preventive detention was passed, about 1,500 persons were organized in gangs, which the criminals themselves called "families" or "brigades." Organized crime spun its web over Vilnius, Kaunas, Sauliai, Panevezys, Palanga...

Within one month after the new law went into effect, one in 15 members of the organized crime world were detained. Others hid, "dropped flat." Some heads of "brigades" and "families" had to leave the country, at least for some time, for that half a year the emergency law originally was intended to stay in effect. But Christmas came, and Seimas deputies unanimously extended the powers of the law on preventive detention.

"Did it really turn out to be that effective?" was our correspondent's first question to Algimantas Astaska, a very experienced special investigator of many years with the Lithuanian general procuracy.

[Astaska] One can try, of course, to teach a fly to catch spiders by giving it an appropriate tool—and any law is just a tool—and theoretically something may even come out of it, but in reality... The same with our law on preventive detention: Unfortunately, it did not produce anything for the courts and the investigation, but it is hard to overestimate its value for the police and secret services. In keeping with this law, any person suspected of being part of organized crime, racketeering, and so on may be immediately detained for the period of two months. Thereby he is, so to say, taken out of the game for the criminal group's purposes for a rather perceptible period of time; besides, during two months under guard he may start talking and deliver rather

valuable information. Even if one in 10 detained "loosen" their tongue, it enables us to learn quite a bit.

Unfortunately, both here and in Russia, the court system and investigation are very slow; therefore, by the sum of results, one cannot achieve great successes in reducing crime following only this road. And, if in two months we are not able to obtain any serious proof of this person's participation in a crime, we have to let him go. What is interesting, however, is that over this year there has not been a single petition for compensation on the grounds on unfounded detention. So our crooks sit here, suffer, of course, since prisons are overcrowded, but keep their mouth shut, knowing very well that after they are released they will certainly make up the "tax" on entrepreneurs they have not collected over these two months.

[Yasinskaya] What else, other than a two-month detention, does this law permit the police to do?

[Astaska] With the procurator's sanction, telephones may be tapped, banking documentation examined, as well as any papers at home or in the office during a sanctioned search of the premises. With the procurator's sanction, clandestine entry into a home may be done. We have already set up special secret structures, about which I cannot talk in detail, but I can try to describe in principle the pattern of their operation.

In each large city in Lithuania—and there are not too many of them after all—there are, and already operating, three-member groups of intelligence officers. They have their own safehouses and scrupulously collect information on all mafiosi, which then goes into a separate computer center. It is these intelligence officers who have the right, in keeping with the law, to enter clandestinely the targeted premises and examine them without leaving any trace of a sanctioned search. Experienced psychologists and specially trained people are selected for this work—which, by the way is done the same way all over Europe. This service is not linked to the police or other investigative organs in any way, but their information is extremely important in unmasking criminal groups or in liquidating illegal arms caches. At their secret direction, operations services can then conduct absolutely legal operations.

[Yasinskaya] Does the Lithuanian law on preventive detention have an analogy in history or in the modern world?

[Astaska] Mossad works the same way in Israel. And, in Italy, for instance, laws are even harsher. Here a procurator can detain a suspect as long as he considers it necessary—10 years if needed. There are no limitations on the period of investigation here altogether. And very long sentences, too. Ours, on the contrary, are very short. What is five years in prison for a gangster, if he took, for instance, \$100,000 in one swoop? He will only earn good interest on it over this time. If he faces a life term, on the other hand—and this is precisely what we are contemplating now in Lithuania—or a very long sentence, up to 25 years, he may not want to take a risk or at least will think twice whether it is worth it.

[Yasinskaya] Have you discovered over the time the law had been in effect some obvious gaps between the operational-investigative and court activities?

[Astaska] It became absolutely obvious that some amendments to the laws are necessary because, for instance, currently the court cannot consider video- and telephone-recordings as an objective proof of guilt of the accused. And what if the "origin" of these materials cannot be disclosed in court? If for no other reason than because evidence collection against other members of the group is still on? This is precisely what happened in one of the recent trials of a Sauliai "crime boss": Episodes of extortion were recorded on videotape, but the court threw out this evidence.

Another problem: Judges are more afraid to hand out sentences to racketeers and gangsters than to policemen. For the same action—for instance, beating up a victim—the policeman will get a maximum sentence, and a racketeer—a minimum; we have incontrovertible statistical proof of it.

In the beginning of February of this year, the government of Lithuania adopted an extensive program for protection of witnesses and victims from criminal action. It envisages many necessary and very topical items for the current stage of combating organized crime. It includes financial, legal, and methodological means of protection, organizing a special insurance system for witnesses and victims; issuing them, if necessary, new documents and all preceding special data, new place of residence and work, up to temporary emigration and even plastic surgery, for instance.

Criminal liability is envisaged for disclosure of measures of protection taken with respect to witnesses and victims. In addition, the Lithuanian Criminal Code is to be expanded by a special provision whereby a witness, victim, expert, physician, or specialist are relieved of criminal liability if under the pressure of circumstances they had to commit perjury. It will also introduce criminal liability for threatening a witness, victim, or expert, as well as members of their families. Sanctions will be tightened for bribery and compelling a representative of authority to commit unlawful actions. In principle, investigation and identification now can take place without the subject of identification being aware of it. During personal encounters, it is possible to create visual and acoustic disguise. Even in the course of the trial, the secretary, if needed, will not name the names of the persons who need protection. Both the accused and his attorney can study the case materials if the names of witnesses and victims are, let us say, fixed—remember, the main leak of information of this kind takes place precisely during the investigation.

In short, as you can see, we have the best intentions. But all these proposals—copied, of course, from the best Western analogies—can be implemented when one has money. And considerable money. In America, for instance, the service in charge of witness protection has nothing to do with the FBI, the police, or anyone else. When they get documents to make protection arrangements for someone, they do not even know his role in a particular case. The Mafia practically cannot find such a person, because there are too many completely looped information chains they would have to break through.

But what is the mafia in America or in Russia—with their scale!—and the mafia in the little Lithuania, where with or

without plastic surgery, you can only move a person perhaps from Vilnius to Kaunas and vice versa, over a distance of perhaps 70 kilometers... Thus, the material measure of protection cannot be sustained, and apparently good law absolutely does not work.

[Yasinskaya] Let us go back to preventive detention. Have there been, in your opinion, instances over these years when this law in principle could be applied but in fact was not used?

[Astaska] There are probably still mafiosi who ought to be detained but they are still free. Seriously speaking, both this law and the principles of witness protection are just being tested, becoming an everyday practice. For instance, not a single mafia boss, whom, of course, the police know both by face and by name, has yet been arrested under the law on preventive detention. Why has it happened this way? Because the operatives are afraid that they will not collect incontrovertible proof of guilt, the groups' top people act very cautiously, indirectly. If there is not enough evidence, however, I believe that other methods should be used as well: collecting "compromising materials" even more painstakingly, catching them on any little thing, even planting something, provoking them on purpose. Provided, of course, that the state truly wants to fight organized crime. And if it does not, if it wishes to go strictly the democratic way, from elections to elections, then have no doubt—mafiosi will simply come to power completely legitimately, so to say.

[Yasinskaya] The law on preventive detention revealed the weakness of another part of our law and order system—investigative detention facilities are overcrowded; people are waiting for a trial for a year or more. Members of the Danish Helsinki human rights group, who recently visited Lithuania, were simply shocked by what they saw in our prisons and camps: a woman awaiting trial for 2.5 years; cells for six where 11 persons were kept; the medieval state of "treatment" in prison hospitals. The Danes began to compare and got an even greater surprise: In the 5-million population of Denmark, there are approximately 3,000 to 6,000 convicts, while in our 3.5-million Lithuania—already more than 11,000. And the sentences here seemed greatly excessive to them. The only thing Lithuania got praise for was that we do not "put a good face on a bad situation," do not try to conceal the obvious shortcomings in this area.

[Astaska] Yes, the crime boom has revealed that our entire prison system is absolutely unprepared for it. Due to historic circumstances, we were cut off, so to say, from Siberia, and we have no place now to ship our "national treasure." Jokes aside, the camps always had a practice of swapping especially major "crime linchpins" from time to time so that they would not gain too much power in one place. Here in Lithuania we always had some Central Asian crime bosses serving time. Now it is no longer possible. Our two to three prisons and several camps are filled over capacity. What is the solution?

It is not always necessary to jail the accused. We now have adopted the law on freeing a person on bond until the trial—a very liberal measure. I would greatly recommend to

use this principle as often as possible in investigating economic crimes, theft of personal property, and so on. Even our postcommunist underground represented by its elderly leaders M. Burokevicius and J. Jermalavicius—I would not keep them in prison another day: They do not represent any threat to the national independence, among other things because of their advanced age; people who should be behind bars are those who are younger but more dangerous to today's society.

[Yasinskaya] What else, based on Lithuanian experience, could you recommend to Russian colleagues should they want to use more desperate measures in combating organized crime?

[Astaska] I do not know what they were waiting for: Until whole families begin to get slaughtered there? I think Russia finally realized that combating crime is a war, nothing short of it.

Some time in the past I had the opportunity to look through numerous cases of Stalin's times in connection with the rehabilitation process: Of course, I understand that a return to the ill-famed troikas [three-member tribunals] for the sake of faster retribution against gangsters and greater intimidation of the masses is impossible and should not be allowed under any circumstances—the guilt of the accused must be proven in court; this is an axiom. But we do have to try to incorporate the experience gained by relevant services all over the world. Why, for instance, make a secret of the victim's name, if the criminal knows perfectly well against whom he committed his vile act? To protect a witness, on the other hand, is absolutely necessary. Today our judges are squeezed into a rather narrow corridor between a maximum and minimum sentence, and they cannot deviate a step from it. But, they have to convict a hooligan, for instance, who overturned a garbage can on a city street. Would it not be better, however, to sentence him to sweep that entire street for a week instead of having him lounge on a cot in jail for three days? But today a judge does not have the freedom to propose such a sentence.

[Yasinskaya] An ordinary entrepreneur today reasons quite simply: I do not care whom I pay as long as they protect me. If I pay racketeers \$100 a month, they do indeed protect me. While the state takes its taxes, increases them all the time, and with no results. E. Bickauskas in one interview said it straight: "Organized criminal groups began competing with the government in their fighting for spheres of influence."

[Astaska] The logic is clear, but not quite aboveboard. If we propose that entrepreneurs tomorrow give these \$100 to the state—provided that 75 percent of this amount will be used to protect precisely their office or their block—it is unlikely that they will agree. They will say: "Why should we?!" That is, you will find that money is not effective, money is not the point. Or take, for instance, an entrance to any residential building. Why would not its residents pitch in maybe a dollar each and pay two students taking turns in shifts to open the door only for authorized persons, not just anybody? This would greatly increase their ability to keep themselves safe from apartment burglars. But no, it is impossible to agree on elementary protection: Each one believes that he will get lucky and will not be robbed...

[Yasinskaya] Is there a particular ethnic composition of criminal groups?

[Astaska] In Kaunas, for instance, it is mostly Lithuanians, and in Vilnius—more "Russian-speaking." This is not surprising—our city is this way, multinational. Besides, the lack of knowledge of Lithuanian language pushed many people to the periphery of life, into making a living by illegal means. Including some part of the young generation. Although, of course, serious criminals are beyond national identification.

[Yasinskaya] Your forecast: How will the law on preventive detention work—after all, it was adopted as a temporary measure?

[Astaska] I think that eventually mafiosi will develop resistance to it; for them, spending two months in jail will be like going on vacation: "This time you go, and next time will be my turn." But gradually the law will die out naturally. It is already clear today that it is only a partial measure that does not contribute anything to the investigation. Gradually, other laws will be adopted, which will allow those who testify to officially get a reduced sentence; that is, the method of "carrot and stick" will be used in Lithuania the same way as in many other countries.

**For Russian citizens' information: Immediately after the interview to LITERATURNAYA GAZETA A. Astaska rushed to a meeting with the FBI Director Louis Freeh. On his way to Russia, the head of the American intelligence service found it necessary to first get acquainted with the situation in Lithuania. Perhaps he also believes that the state of affairs with respect to organized crime in one of the former union republics is something to look at for the "older brother."**

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